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December 31, 1998 Corporation Commission
DOCKETED

JAN 11 1999

A.C.C. - DOCKET CONTROL
RECEIVED

JAN 11 1999

Ray T. Williamson
Acting Director, Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington
Phoenix, Arizona 85007

DOCKETED BY	<i>SD</i>
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DOCUMENTS ARE SUBJECT TO
REVIEW BEFORE ACCEPTANCE
AS A DOCKETED ITEM.

745-00000C-94-0165
Re: Docket No. E-03661A-98-; Notice of Filing
by Arizona Public Service Company of Affiliate
Transaction Compliance Plan

Dear Mr. Williamson:

Arizona Public Service Company ("APS" or "Company") hereby submits its plan for compliance ("Compliance Plan") with A.A.C. R14-2-1617 ("Rule 1617(E)"). Pursuant to Rule 1617(E) such a filing was to be made on or before December 31, 1998.

I. APS CODE OF CONDUCT

The centerpiece of the Company's Compliance Plan is the APS Code of Conduct, a copy of which is attached as Exhibit A. This APS Code of Conduct was submitted to the Arizona Corporation Commission ("Commission" or "ACC") on November 30, 1998, in conjunction with Article VIII of the Company's Settlement Agreement of November 4, 1998 ("APS Settlement"). Although such an APS Code of Conduct is not required by any Commission rule or regulation, and despite the fact that the APS Settlement has been subsequently withdrawn from Commission consideration, the Company will nevertheless abide by and implement the APS Code of Conduct.

The APS Code of Conduct addresses each of the substantive requirements of Rule 1617. Moreover, the provisions of the APS Code of Conduct contain specific cross-references to the relevant portions of Rule 1617 itself. Commission Staff reviewed the APS Code of Conduct in conjunction with its evaluation of the application of an APS affiliate, APS Energy Services, Inc. ("Energy Services"), for a competitive electric certificate of convenience and necessity (Commission Docket No. E-03661A-98-0674). Commission Staff found that:

[T]he code of conduct will address concerns regarding the separation of monopoly and competitive services (A.A.C. R14-2-1616) that arise from forming and operating a competitive affiliate while retaining generation assets

until December 31, 2002. The code of conduct will also address the issues relating to affiliate transactions (A.A.C. R14-2-1617).

Staff Report in Docket No. E-03661A-98-0674 at 3. Staff further recommended approval by the Commission of the APS Code of Conduct. *Id.* at 8.

In addition to the APS Code of Conduct, APS has long enforced a Corporate Ethics Policy. A copy is attached as Exhibit B. In 1999, the Company will incorporate the APS Code of Conduct and compliance therewith into the formal Corporate Ethics Policy. Thereafter, APS Code of Conduct Compliance and the ongoing compliance administration will be handled within the procedures for enforcing the Corporate Ethics Policy. Moreover by this step, compliance with the APS Code of Conduct will become a part of each Company employee's personal performance evaluation criteria.

II. APS CODE OF CONDUCT TRAINING

An employee code of conduct must be effectively incorporated into employee training. To ensure APS employee and Company compliance with Rule 1617, APS developed a formal employee training curriculum to educate APS employees on the content and requirements of Rule 1617 and the APS Code of Conduct addressing Company compliance with Rule 1617. Through the APS Code of Conduct Training Course, Company employees learn to evaluate situations wherein an affiliate conflict might arise, to apply the appropriate provisions of Rule 1617 and the APS Code of Conduct and to respond accordingly. All APS Departments have or will go through this APS Code of Conduct Training Course, as will all new APS employees.

Training Program Description:

The APS Code of Conduct Training Course content includes:

- (1) Reviewing in depth the ACC Competition Rules, paying particular attention to the provisions set forth in Rule 1617.
- (2) Identifying and discussing the sections of the APS Code of Conduct that correspond with specific provisions of Rule 1617.
- (3) Using participatory exercises that reflect some of the typical workplace scenarios that APS employees may encounter, employees must identify the APS Code of Conduct-related issues within the scenario and develop responses that are appropriate and in compliance with the provisions of Rule 1617 and the APS Code of Conduct.

APS Code of Conduct Training Course classes average 2 hours or so in length and are customized for the various functions throughout the Company. For example, the scenarios for interaction with a competitive electric affiliate used for training Company employees working in construction-related functions differ significantly from those used in training APS employees who

work in the Customer Call Centers. On the other hand, APS Community Relation's employees train with another entirely different set of potential scenarios. The Training Course Manual for each of the 38 separate APS Departments is included with this filing as Exhibit C, which consists of the training status report as of December 31, 1998 as well as 12 individual tabbed sections.

During the APS Code of Conduct Training Course, the importance of strict compliance with both the APS Code of Conduct and Rule 1617 is emphasized and, using current industry examples, the consequences of non-compliance are discussed. As noted above, the necessity for and expectation of ongoing employee compliance will also be reflected in the Company's more general corporate ethics program.

Training Course class participants are also provided copies of the Code of Conduct Points to Remember and the ACC Competition Rules/Code of Conduct Training Q&As upon completing the course. Copies of these documents are included in Exhibit C to this filing. The course content and materials will be updated as developments and changes occur and subsequent training sessions for preexisting APS employees then conducted on an as needed basis. In addition, a companion, in-depth training program was developed for and conducted with Energy Services personnel. Questions and answers used as part of the in-depth training from the employee input received during training exercises. A list of frequently asked questions is both maintained and updated for use in future training sessions or when needed in the development of more detailed policies and procedures.

Participating Company Personnel:

All APS utility distribution company ("UDC") employees are required to know the provisions and requirements contained in Rule 1617 and the APS Code of Conduct and understand how those provisions and requirements impact the way they go about their jobs. This does not mean, however, that all existing APS employees will be required to take the full in-depth Training Course. In instances where the probable incidences of affiliate conflict are less, in-depth training is limited to leaders and front line employees, who are in turn delegated the responsibility to disseminate information to their subordinate employees. For example, those employees who have significant customer and/or public contact are attending the complete in-depth training sessions. That includes but is not limited to Delivery Business staff, Business Office staff, Call Center staff, Design Project Leaders, Troublemens and Meter Shop staff. Leaders and front-line employees in Corporate and shared service functions such as Community Relations, Economic Development, Accounting, Finance, and Human Resources also attend the in-depth training.

Attendance at the APS Code of Conduct Training Course classes is mandatory for the employee groups specified above. It is also mandatory for new Company employees in otherwise affected Departments. In addition, any APS employee not otherwise required to attend is free to attend classes on a voluntary basis. Attendance is taken at each class and recorded in the company's database to ensure attendance of each employee required to receive such training. Employee penalties for violations of the APS Code of Conduct training are severe and can include dismissal of the offending employee.

Approximately 1700 APS employees have attended or will attend the initial training sessions. Moreover another 100 Department leaders and front-line employees will have participated in "Train the Trainer" sessions. This represents an investment of almost 3600 man-hours in in-depth training. New APS employees receive their APS Code of Conduct training as an integral part of their orientation. In addition, "refresher" courses and program updates will be provided employees on an ongoing basis.

For those APS employees who need general knowledge of the Code of Conduct and the provisions of Rule 1617, but whose jobs do not require in-depth, detailed knowledge (i.e., linemen, vehicle maintenance crews), their Department leaders are provided Leader Talking Points. These Department leaders are required to review this training material with their employees during the course of a formal staff meeting and to distribute to employees copies of the Code of Conduct Points to Remember and ACC Competition Rules/Code of Conduct Training Q&As. These documents are again included as part of Exhibit C to the Company's compliance filing herein.

Training Course/Reference Materials:

The above discussion has mentioned several Training Course documents that are used in the various compliance training classes. Below is a description of these various documents and their role in employee training.

Code of Conduct Points to Remember: This is a pocket-sized laminated reference card. On one side is a list of the Code of Conduct's key points. On the other, a description of those actions Delivery Business employees can take in compliance with the code and ACC Competition Rules.

Leader Talking Points: This is used by leaders whose employees are not attending the in-depth training class. It provides the leaders with discussion points and examples of the issues identified on the Code of Conduct Points to Remember reference card. It also identifies the point of contact for additional comments and/or questions.

ACC Competition Rules/Code of Conduct Training Q&As: This is a continually updated list comprised of questions submitted by employees. Answers include references to the pertinent section(s)/provision(s) of the ACC Competition Rules. Copies are distributed to employees at the conclusion of each training session. Updated copies are sent to employees who have previously attended training.

APS Code of Conduct (electronic version): A current copy of the APS Code of Conduct will be maintained on APS' electronic bulletin board. It is available to all APS employees with e-mail access.

APS Code of Conduct (printed version): A paper copy of the APS Code of Conduct that will be provided to all leaders for their reference and use with their employees.

ACC Competition Rules (printed copy): A hard copy of the ACC Competition Rules that is provided to leaders for their reference and use with their employees. Employees are also provided the ACC website for accessing the ACC Electric Competition Rules.

III. CONCLUSION

The APS Code of Conduct has been designed to dovetail with the requirements of Rule 1617. The Company has also developed and implemented a comprehensive corporate training program to ensure compliance with its own APS Code of Conduct and Rule 1617. Employee performance evaluation takes such compliance into consideration in making personnel decisions. As indicated above, ongoing compliance with the APS Code of Conduct and Rule 1617 will be administered through existing Corporate Ethics Policy mechanisms. As part of the APS Employee Concerns Program, employees will have established points of contact for addressing and reporting APS Code of Conduct-related concerns. For example, employees can use the Employee Concerns Hotline to submit questions or report compliance concerns on a confidential or even anonymous basis. Finally, Commission Staff has reviewed the APS Code of Conduct itself and has found that it properly addresses concerns under Rule 1617. Therefore, APS believes that it has implemented effective procedures and mechanisms to ensure compliance with the requirements of the Commission's Electric Competition Rules.

If you or your Staff have any questions, please call me at 250-2031.

Very truly yours,



Barbara A. Klemstine
Manager, Regulatory Affairs

EXHIBIT A

ARIZONA PUBLIC SERVICE COMPANY

DISTRIBUTION

Code of Conduct

Arizona Public Service Company (APS) is committed to establishing standards of conduct in providing Distribution Services that will produce customer confidence in the competitive retail market and which will meet the requirements of the Competition Rules. The following Code of Conduct shall apply to the APS business entity providing Distribution Services and is adopted for the purpose of implementing the requirements of the Commission's Competition Rules at A.A.C. R14-2-1617.

1 *Definitions*

- 1.1 "Affiliate" means a business entity related to APS in the manner described in A.C.C.R. R14-2-801(1).
- 1.2 "Commission" means the Arizona Corporation Commission.
- 1.3 "Competition Rules" means A.C.C.R. R14-2-1601 – R14-2-1618, as they may be amended and supplemented from time to time by the Commission
- 1.4 "Distribution Service" means the delivery of those services described in A.C.C.R. R14-2-1601(13).
- 1.5 "Distribution Company" means the entity or business unit providing non-competitive Distribution Service.
- 1.6 "Electric Service Provider" or "ESP" means a provider of competitive services, as defined in A.C.C.R. R14-2-1601(15).

2 *General*

- 2.1 Management, employees and authorized agents of APS' Distribution Company shall conduct their activities on behalf of the Distribution Company in compliance with the requirements of the Competition Rules and this Code of Conduct.

3 *Financial*

- 3.1 *Segregation.* Costs and revenues of APS' Distribution Company will be segregated from costs and revenues of Affiliates in a manner sufficient to

ensure that there is no financial subsidization of the business activities of APS Affiliates by any rate or charge for noncompetitive services of the Distribution Company.

- 3.2 *Books and Records.* APS' Distribution Company will maintain its books of account and records separately from Affiliates, and these books and records will be available for inspection by the Commission, as provided by law.

4 *Separation of Functions*

4.1 *Operations.*

- 4.1.1 Except as otherwise permitted in the Competition Rules or this Code of Conduct, APS' Distribution Company will operate independently from other APS Affiliates.
- 4.1.2 Employees may not be jointly employed by APS and APS' ESP, except as permitted for purposes of providing joint corporate oversight, governance and support. APS' ESP may contract for services from APS employees as long as a written services agreement is executed and the charges for such services complies with Section 6 of this Code of Conduct.
- 4.1.3 Activities of APS' Distribution Company will be carried out by its employees and authorized agents in accordance with this Code of Conduct.
- 4.1.4 Access to facilities used for Distribution Services will be given to APS' ESP, subject to the same limitations, terms and conditions governing access by other ESP's under similar circumstances.

4.2 *Administering Tariffs.*

- 4.2.1 Administration and enforcement of all Commission approved tariffs for the APS Distribution Company, including terms and conditions of service, will be conducted solely by management, employees and authorized agents of APS' Distribution Company.
- 4.2.2 With respect to the terms and conditions of providing Distribution Services (including price, curtailments, scheduling and priority, APS' Distribution Company shall not provide its Affiliates, or the customers of its Affiliates, any preferential treatment over non-affiliated ESP's or their customers as a result of such status as an Affiliate or customer of an Affiliate.

4.3 Promotion, Sales and Advertising of Non-Distribution Services.

- 4.3.1 APS' Distribution Company shall not directly promote, market, or sell an Affiliate's non-Distribution Services for or on behalf of an Affiliate as a Distribution Service.
- 4.3.2 APS' Distribution Company shall not state or imply in any advertising or customer communication that the provision of any Distribution Services, or the terms and conditions governing such services, are conditioned upon, related to or tied to the purchase of any other product or service from an Affiliate.

5 Access to Information

- 5.1 *System Information.* APS' Distribution Company shall not give APS' ESP access to confidential information related to its Distribution Services (including information about available distribution capability and curtailments) that is not available to other ESP's.
- 5.2 *Customer Information.* Non-public customer information will not be provided to any Affiliate by the Distribution Company unless release of such information is expressly authorized by the customer or the Commission or as required by law.

6. Transactions with Affiliates.

- 6.1 *Accounting.* Except where regulatory requirements dictate otherwise, transactions between APS' Distribution Company and any APS Affiliate will be accounted for in accordance with Generally Accepted Accounting Principles and regulatory accounting requirements.
- 6.2 *Purchase of Goods and Services from Affiliates.* APS' Distribution Company shall not purchase goods and services from an Affiliate at a price that is above the market price of such goods and services or, where a market price for any particular good or service is not readily available, at a price that is above the cost of providing such good or service, unless otherwise approved by the Commission.
- 6.3 *Sale of Goods and Services to Affiliates.* Goods and services sold by APS' Distribution Company to an Affiliate shall be charged in accordance with any applicable tariff. Where a tariff is not applicable, such goods and services shall be sold at the higher of cost or market, unless otherwise approved by the Commission..

- 6.4 *Policies and Procedures.* APS accounting shall maintain written policies and procedures regarding the accounting and segregation of costs between APS and its Affiliates.

7 ***Dissemination and Education***

- 7.1 *Submission to Commission.* APS' Distribution Company will submit this Code of Conduct, and any revisions to the Commission in accordance with its annual Compliance Plan filing under R14-2-1617(E).
- 7.2 *Employee Access to Code of Conduct.* Written copies of this Code of Conduct will be provided to management, employees and authorized agents of APS' Distribution Company and APS' Affiliates. A copy of the Code of Conduct will be maintained on the Company's electronic bulletin board known as Vista Public Folders.
- 7.3. *Employee Training.* Training on the provisions of the Code of Conduct and its implementation in compliance with the Competition Rules will be provided to all of APS' Distribution Company management, front-line employees and authorized agents. Attendance will be verified at each training session and attendance records will be maintained. Subsequent training sessions will be scheduled as needed for new hires and transfers.
- 7.4 *Compliance.* Compliance with the Code of Conduct is mandatory. An APS employee's failure or refusal to abide by or to act according to such standards may subject the employee to disciplinary action, up to and including discharge from employment.

Questions or any deviation from this Code of Conduct must be approved by APS Law Department. Compliance with this Code of Conduct will be administered as part of the APS Standards of Conduct program.

EXHIBIT B

Doing the Right Thing

Corporate Ethics Policy and Corporate Standards of Conduct

Doing The Right Thing

Revised May 1998

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1-800-446-8441	
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82-2702	
1-800-293-6498	

A Message From Bill Post and Nancy Loftin

Ethical conduct is all about “doing the right thing.” It is all about the responsibility we have to our customers, our shareholders, our suppliers, the communities in which we serve, and to ourselves. It is all about maintaining high standards of performance while conducting our affairs honestly and fairly.

Our business continues to change rapidly, and with the changes come greater pressures. Pressures to meet expected results, to do more with less, to provide superior customer satisfaction and to grow profitability in the face of fierce competition. As a result, it is important that we continually evaluate

ourselves, to ensure we are “doing the right thing” in a particular business or work situation.

This booklet explains the Company’s Corporate Standards Program and includes the revised Corporate Ethics Policy and Corporate Standards of Conduct. We ask you to read it. We’ve also developed a companion booklet, *A Quick Look At Doing The Right Thing*, as a convenient and quick guide to the Standards Program. Both booklets are provided to help you make the right decisions.

Please remember that we, individually and as a Company, are judged by our actions, not our intentions. We cannot stress enough how important it is that our actions, in addition to our intentions, are of the highest ethical standards.



William J. Post
President and Chief Executive Officer



Nancy C. Loftin
Vice President, Chief Legal Counsel and Secretary
Chairman, Corporate Standards Committee

Corporate Ethics Policy

It is APS' expectation that its directors, officers, employees and agents adhere to and maintain the highest ethical standards in their conduct of Company affairs.

The Corporate Ethics Policy

Purpose:

To fulfill our corporate responsibility to our customers, shareholders and the community, it is the expectation of the Company that members of its Board of Directors, officers and employees adhere to and maintain the highest ethical standards in their conduct of Company affairs and avoid situations where a personal interest conflicts or appears to conflict with the interests of the Company.

Definition:

Conflicts of interest arise when there is opportunity for personal gain apart from the normal rewards of employment, or when the employee's interest may be at cross-purposes with the interests of the Company.

Policy:

Every individual is expected to conduct Company business in compliance with all laws and regulations while maintaining the highest ethical standards.

This policy is authorized by the Chief Executive Officer (CEO) of APS and requires the disclosure of any circumstance that may contradict the Company's policy. It establishes that every APS employee must comply with the letter and spirit of this policy, the Corporate Standards of Conduct, and other policies and procedures of the Company. It further estab-

lishes the responsibility of every APS employee to report any violation, or suspected violation, of this policy, the Corporate Standards of Conduct, or any other Company policy, to one's management or to one's respective Employee Concerns line. If suspected violations of this policy are associated with persons at high levels within the Company, the matter should be reported to the CEO or the Chairman of the Audit Committee of the Company's Board of Directors.

The following guidelines are provided to assist in avoiding contravention of the Company policy:

- Every employee is personally responsible for Company funds or other assets over which the employee has control.
- The use of Company funds or resources for personal benefit without proper authorization is prohibited.
- The use of Company funds or resources to support or influence a political initiative or referendum without proper authorization or to support a political party or candidate is prohibited.

- Anyone who buys or sells goods or services, or who influences such buying and selling in any way, must maintain the highest standards of ethical conduct. Any information that is proprietary either to the Company or a supplier carries an obligation to assure confidentiality.
- All Board members and employees must avoid any activity, investment, interest or association which compromises, or which might reasonably be interpreted to compromise, the independent exercise of judgment and the performance of work in the best interest of the Company, its shareholders and the public. Employees should also avoid any transaction, service, or other arrangement that places personal interests and those of the Company in opposition with each other.

The Company recognizes that some employees may desire to be involved in business interests outside of their employment with the Company. This is a personal decision, except for situations where (1) the time and energy devoted to the outside business interest impacts the employee's performance at work, (2) the outside business interest is in competition with the Company, or (3) the outside business interest has dealings with any of the following parties:

- The Company or its affiliated companies (e.g., Pinnacle West, SunCor, or El Dorado Investment Company)
- Vendors (suppliers) of the Company
- Competitors of the Company (including other energy providers)
- Consultants to the Utility Industry.

This policy applies not only to employees, but also to members of their households. Excluded from disclosure and approval are transactions as an investor in publicly traded securities.

Corporate Ethics Policy

- Because the Company has a legitimate interest in the situations under (2) and (3) above, the Company requires disclosure and pre-approval on a form provided by the Company. In making this decision, the Company will consider such factors as:
- Assuring that the Company and its employees maintain the highest ethical standards
 - Helping employees avoid situations that could (or might reasonably be perceived to) compromise the independent exercise of judgment
 - Protecting legitimate business interests and rights of the Company.
- Soliciting gifts or other considerations directly or indirectly from any supplier, customer, government official or employee at any level is prohibited. Anyone receiving an offer of a gift or receiving a gift or other consideration that might be interpreted as representing a conflict of interest shall make an immediate disclosure of the incident to his or her immediate superior. Excessive business entertainment, whether as an initiator or as a recipient, is prohibited. Good sense and reasonable business justification are the best guidelines.
- Confidential, non-public, Company information should not be used for personal financial advantage or released to unauthorized individuals inside or outside the Company.
- Disclosure or use of confidential information or trade secrets belonging to others (like former employers, competitors, or other companies that we are working

- with) is prohibited unless the other party grants its express, written permission to use or disclose the confidential information or trade secret. Employees must comply with the restrictions placed upon such use or disclosure by the other party.
- Knowingly signing documents that are inaccurate, untrue or not in compliance with Company policies and procedures, or concealing information from or supplying misleading information to a person duly authorized by management to receive that information, will be considered a violation of this policy.
- This policy statement is not all-inclusive in its description of unethical conduct or situations of conflicts of interest. The perception of a wrongdoing may be as great a concern as an actual wrongdoing. Difficult questions of judgment are involved; therefore, it is imperative that each person covered by this policy exercise judgment in recognizing and resolving potential ethical and/or conflict of interest issues *before* engaging in situations where such issues may arise. Questions regarding interpretation of this policy should be referred to the Director of the Audit Services Department of the Company.

Violations of this policy can expose individuals and the Company to criminal actions and fines and other serious legal ramifications. Individuals who violate this policy will be subject to disciplinary action, including termination and/or legal action.

Board members and management and professional employees of APS will be asked periodically to sign a statement affirming that they have read and understood the Corporate Ethics Policy and that they are in compliance with that Policy.

Note:

Nothing in this Policy shall be construed to prohibit employees from reporting any suspected instance of illegal activity of any nature, any nuclear safety concern, any workplace safety, public safety or environmental concern to the United States Nuclear Regulatory Commission, the United States Department of Labor or any other federal or state governmental agency, and shall not be construed to prohibit employees from participating in any way in any state or federal administrative, judicial or legislative proceeding or investigation.

APS Employee Concerns
1-800-446-8441

Palo Verde Employee Concerns
82-2702
1-800-293-6498

Corporate Ethics Policy

Understanding the Corporate Ethics Policy

At APS, our goal is to set the standard for ethical business conduct. A solid reputation of excellence and fairness in all our business dealings is critical to maintaining our position as Arizona's Premier Corporate Citizen.

That's the reason for our Corporate Ethics Policy. The Corporate Ethics Policy provides all APS employees with guidelines for ethical business dealings. While the policy cannot address every situation, each employee has a personal responsibility to act with integrity and uphold the spirit of the policy at all times. Since public perception of APS as an ethical company is so important, we must not only operate with the highest ethical standards, but work to avoid even the appearance of violations.

The following questions and answers will help you understand the Corporate Ethics Policy and how it applies to your day-to-day activities.

Q: Can I accept gifts from vendors or other outside business contacts?

A: Never accept gifts that might influence your professional decisions. You should also avoid gifts if it might appear to others that the gifts could influence you. Those gifts might include awards, pleasure trips, raffles, door prizes, services, payments, refunds, rebates, special discounts, excessive entertainment or privileges, and loans that are not from lending institutions at prevailing interest rates. In addition, vendors may not donate prizes or other gifts for company events.

You may accept gifts, entertainment, meals or social invitations that are part of normal business practices and have nominal value. While a good guideline is never to accept any gift that is worth more than \$100, there are many items below this dollar limit that are inappropriate. Also, frequent acceptance of even minor items from the same business could raise an ethics concern. Rely on your good judgment or a leader's guidance when deciding whether to accept a gift.

Q: What if someone offers to pay my travel expenses to view their property or operations

A: APS, rather than an outside vendor, should pay for any necessary business trips. In very special circumstances, the vendor may pay for the trip if it is authorized by your officer and the Director of the Audit Services Department is informed in writing.

Q: How should I handle situations that are not specifically addressed in the Corporate Ethics Policy?

A: At times, you might have a question about how the Corporate Ethics Policy applies to a particular situation. Even if the situation does not appear to be covered, you have a personal responsibility to work with the policy, rather than around it. If you see a potential conflict, avoid it, even if it is not specifically addressed in the policy. Remember, our reputation is built on the ethical conduct of each employee.

Q: What are some examples of inappropriate use of Company resources for personal benefit?

A: Some examples are making long distance personal phone calls, or the personal use of Company vehicles, personal computers, FAX equipment, Company supplies, or corporate information. There are many other examples, of course.

Corporate Ethics Policy

Q: What are the guidelines about releasing Company information to outside parties?

A: We work in an increasingly competitive environment, and much of the information we work with every day is confidential. For example, if you provide information that gives a vendor an advantage in bidding on work for APS, you have released confidential information and violated the Corporate Ethics Policy. If you have a question about whether information is confidential, it is best to ask your immediate leader.

Q: Is it ever appropriate to use APS resources on behalf of a political candidate?

A: No. APS may participate in public forums for all candidates or activities that promote voting and voter registration, but the Company does not endorse individual candidates or parties or use its resources to back them. The policy is not designed to discourage employees' individual participation in political activities or in the APS Political Action Committee, but you may not work on behalf of a candidate or political party during Company time.

Q: What are the ethical guidelines regarding APS computer systems?

A: Computer software and data security are important concerns at APS. To protect our valuable Company data, never allow anyone to know or use your computer password without the granting of an exception from Computer Security. You should not copy or distribute any

Company-purchased licensed software, unless it is expressly provided for in the license agreement and the Company's Computer Software and Data Security Policy, number 54. In addition, it is a violation of the Corporate Ethics Policy to use APS personal computers or software for personal business without proper authorization. If you have questions about computer software and data security, call the Computer Services Data Security administrator.

Q: Does this Policy apply equally to Board Members, officers and other employees?

A: Yes.

Q: What should I do if I see a situation which violates the Corporate Ethics Policy?

A: You have a responsibility to report the situation to your immediate leader. If for some reason you feel that is not a viable alternative, you may contact either the APS Employee Concerns Line (1-800-446-8441) or the Palo Verde Employee Concerns Program (82-2702 or 1-800-293-6498) if you are a Palo Verde employee.

Q: What happens if an employee violates this Policy?

A: Violations of this Policy can expose individuals and the Company to criminal actions, fines and other serious legal ramifications. Individuals who violate this policy will be subject to disciplinary action, including termination and/or legal action.

Q: Where can I go with additional questions?

A: First, go to your immediate leader. If you still have questions, you should contact the Director of the Audit Services Department or any APS officer.

APS Employee Concerns
1-800-446-8441
Palo Verde Employee Concerns
82-2702
1-800-293-6498

Corporate Standards Program

About the Corporate Standards Program

In the course of each of our jobs, we are personally responsible for (1) demonstrating a high standard of ethical business conduct, (2) complying with applicable laws and regulations, and (3) complying with Company policies and procedures. The Corporate Standards Program is designed to protect you and your Company – to protect against the risks that could result from a failure to comply with ethical or legal requirements that relate to your job with the Company.

A Corporate Standards Committee oversees the operation of our Standards Program to make certain that it operates effectively. The committee draws on the resources of the following departments: Audit Services, Human Resources, Corporate Security, Environmental Health & Safety, Risk Management and the Law Department. Audit Services is the designated lead department in administering the Program.

The Corporate Standards Program is a reflection of our Company's commitment to maintain the highest standards of ethical conduct and legal compliance. It will allow us to gain respect and support within the communities we serve and will help provide a competitive advantage and will help us attract and retain people who demand high standards of business conduct.

The Corporate Standards Program is designed to protect against the risks that could result from a failure to comply with ethical or legal requirements that relate to your job with the Company.

APS' Corporate Standards Program includes the Corporate Ethics Policy and the Corporate Standards of Conduct (comprised of certain legal standards that all directors, officers, employees and agents are expected to observe). Compliance with these documents can protect directors, officers, employees and agents from the consequences of violations of law or ethically inappropriate conduct. Therefore, it is very important that we are all aware of the rules we are expected to follow and that we are familiar with those rules that relate to the jobs we perform for APS.

The Corporate Standards Program also provides three other factors that help us succeed: it deters noncompliance with ethical and legal requirements; it provides ways to detect incidents of noncompliance; and it assures the prompt and appropriate response to noncompliance if it occurs. Let's discuss each of these in turn.

Deterrence

Deterrence means avoiding incidents of noncompliance in the first place. The principal means of deterrence used by the Standards Program is communication. If we understand the risks and how to avoid them, then we will achieve compliance.

The Corporate Standards of Conduct establishes a comprehensive set of rules that directors, officers, employees and agents are expected to observe. Ongoing communications about legal and ethical compliance issues will be published to help you understand your compliance responsibilities.

Another element of deterrence is discipline. Compliance with the Corporate Standards of Conduct is a condition of employment with APS. Failure to abide by the standards can have substantial consequences. Not only may the individual be personally liable for the legal or ethical violation, the individual may also be subject to disciplinary proceedings.

Detection

Detection means searching out and identifying activities that do not comply with the Corporate Standards of Conduct. Because we are serious about compliance, we need to be on the lookout for indications that the Corporate Standards of Conduct are not being followed.

The Corporate Standards Program establishes a means for monitoring APS' activities. Management is accountable for overseeing the activities of the operating areas for which they are responsible. Additionally, regular audits will be performed to determine that Company operations meet the standards in the Corporate Standards of Conduct. The Employee Concerns programs may also provide information regarding noncompliance.

Dealing With Noncompliance

It is the responsibility of every APS employee or agent to report suspected violations of law to one's management or to one's respective Employee Concerns program.

Because we are serious about compliance, we are committed to promptly correcting violations that are discovered.

Corporate Standards of Conduct

Your Role in the Success of the Corporate Standards Program

We all have a responsibility to make sure the Standards Program works. You can help by following these rules:

Read this entire booklet thoroughly and familiarize yourself with the compliance obligations that relate to your job at APS. Regularly attend department staff meetings where compliance issues will be discussed.

Read the informative materials that APS regularly distributes about compliance.

Consider how compliance issues affect your job – and actively plan for them.

If you are uncertain about how to satisfy a requirement of the Corporate Standards of Conduct, raise it with your leader. If he or she can't answer your questions, they will make the appropriate contacts to get your questions answered promptly.

Don't be reluctant to bring your concerns forward, either by raising them with your leader or by using the APS or Palo Verde employee concerns lines. The number for APS Employee Concerns is 1-800-446-8441 and the numbers for Palo Verde Employee Concerns is 82-2702 or 1-800-293-6498. Your active participation in bringing concerns forward is a fundamental way that APS can deal with compliance issues effectively.

The Corporate Standards of Conduct

General Background

As you read through the Corporate Standards of Conduct, you may see some areas that do not appear to apply to you or the job you presently perform at APS. Your leaders will review the Corporate Standards of Conduct with you to make certain that you understand those rules that do apply to your job. Even though a rule may not apply to your job, you should be aware of all the rules so that you are sensitive to situations you may encounter.

Not all of the standards or rules that you may be expected to observe are necessarily included in this document. You may encounter work situations that are not exactly dealt with by a rule in the Corporate Standards of Conduct. That does not mean there is no rule. If the document does not provide you with an answer, consult with your leader. If your leader doesn't know the answer, they will find out for you by contacting Audit Services.

General Standards of Legal Conduct

The high standards of honesty, respect for the law and integrity are essential to assure the proper performance of the Company's business. These are the basic rules of legal compliance that apply to all directors, officers, employees and agents of APS.

It is unlawful and/or against Company policy to:

- Violate any federal, state, or local law or regulation.
- Influence the judgment or conduct of a person in a position of trust by bribery – meaning offering, giving, asking for, promising, or receiving gifts, gratuities, or favors.
- Steal or misappropriate Company property or the property of another with the intent to deprive the rightful owner of it.
- Commit a fraud – meaning to purposely mislead someone by false representations or statements.
- Participate in dishonest conduct – meaning to lie, cheat, or steal.
- Do injury to someone or their property – meaning the commission of an unlawful act against someone, physically or verbally, causing injury or damage to that person, property, or rights.

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We should all be aware of those standards or rules that apply to our jobs. Even though a certain standard or rule may not apply to your job, you should be aware of the standards contained in this document so that you are sensitive to situations you may encounter.

Specific Standards of Legal Compliance

In addition to the general standards of conduct we have just discussed, you should be familiar with the following rules that may relate to your job at APS.

Antitrust

Antitrust is a body of federal and state laws that relate to your dealings with customers, competitors and vendors when APS is the seller or buyer of electricity and products or services. It is against the law for a seller or buyer to exercise unreasonable economic control over the marketplace. This is called monopoly power. This can happen, for instance, when competitors agree to charge the same or similar prices for their products. Violations of the antitrust laws can present serious consequences in terms of fines and imprisonment.

We buy from and sell electricity to other electric utilities who are our competitors, and cooperate in many ways with others in our industry nationwide. We also purchase commodities and services from a variety of vendors. It is therefore necessary to identify and establish the proper conduct which the Company expects of its directors, officers, employees and agents when they are engaged in the purchase or sale of electricity or other products and services.

- It is unlawful and/or against APS' policy:
 - To bribe or take a bribe (bribes may include giving or asking for money, gifts, favors or promises of value as a means of influencing someone to do something in violation of their legal or ethical responsibilities)
 - To agree with one or more of our competitors to fix prices at existing levels, higher levels, or lower levels so that competition is impaired
 - To agree with one or more of our competitors on what to bid (known as "bid rigging")
 - To agree with one or more of our competitors to fix other terms and conditions of sale, such as credit terms, quantity discounts, etc.
 - To agree with one or more of our competitors on allocation of customers or markets, whether geographically or otherwise, unless we have a territorial agreement with such competitor approved by the Arizona Corporation Commission
 - To agree with one or more of our competitors to fix levels of production or production quotas
 - To obtain the agreement of any customer to fix resale prices or other terms and conditions of resale, or to obtain the agreement of one or more of our competitors to fix the terms and conditions of purchases, like price or quantity discounts.
- To agree with our competitors or customers or other buyers of the same goods or services, not to deal with any other person, whether that person is a supplier or customer (this is called a group boycott)
- To obtain the agreement of any customer or a supplier or contractor of APS not to resell power to or otherwise deal with a particular person or class or in a particular area or territory
- To force any customer to buy an article or service as a condition of buying another article or service (this is called a tie-in sale)
- To purchase goods or services from a supplier on the condition that the supplier will purchase other products or services from APS
- To collaborate with other buyers of the same goods or services in any collective purchasing scheme.

Campaign Financing for the Election of Public Officials

APS encourages active participation in the political process. Participation is governed by rules that limit the amount of money or other valuable consideration that can be contributed to a candidate for office. There are also rules that define proper conduct for participation in the political process.

Laws governing campaign contributions by corporations are very complex. In general, corporations may not make campaign contributions. However, under the laws, political action committees – or PACs – may be formed to solicit contributions from management and

Corporate Standards of Conduct

employees of a corporation, as well as shareholders. PACs are generally administered by a board of directors made up of members of management and the employees of a corporation. A PAC exists for the participation by management and employees of APS – it is called PSPAC. PACs must be operated in compliance with the campaign finance laws which generally require that the PAC be administered on an arm's length basis, separate from the affairs of the company to which it is connected.

It is a violation of law and/or Company policy to:

- Bribe or take a bribe in connection with an election.
- Make a contribution or expenditure in the name of the Company or on its behalf in connection with an election.
- Commingle Company funds with the funds of APSPAC.

Reimburse individuals who make contributions to APSPAC.
Pay for the services rendered to APSPAC (excluding in-kind services provided by the Company as allowed by law).

Submit false, incomplete or misleading reports to government agencies responsible for the administration and enforcement of campaign finance laws.

APS policy requires the observance of the following rules when participating in the political process for or in the name of APS:
Conduct your relationships with public officials, political candidates, government employees and representatives in an honest and ethical manner and in compliance with the law.

- Do not use your position or relationship with the Company to gain any favor, advantage or benefit for either the Company or yourself personally when dealing with public officials, political candidates, government employees and representatives.
- Do not influence or attempt to influence public officials, political candidates, government employees and representatives in the exercise of their duties by offering gifts, gratuities or other promises of reward or benefit – and don't solicit or accept any such favors from them.
- Do not falsify or distort information provided to government agencies. Act in such a manner that will not impede public officials, political candidates, government employees and representatives in the proper exercise of their authority.

Copyrights

Copyright laws automatically provide protection when an original work of authorship (like a book or an article, a computer software program, or a videotaped program or audiotape) is produced in written form, or on computer disk or on video or audio tape. These are called protected works. Only the author has the right to reproduce or perform or display the protected work, and to create copies from it. The copyright laws protect the way the author says it, but not the author's ideas themselves. Contrary to popular belief, neither a copyright notice nor registration of the protected work is required for protection.

The following are examples of activities that might constitute a violation of copyright laws:

- Copying an entire issue of a magazine or newsletter. You should route the original, purchase multiple subscriptions, or contact the publisher for permission to copy.
- Copying articles from journals, newsletters, magazines, or the Internet. Contact the publisher or author for reproductions or permission to copy.

Protection of Intellectual Property

Federal and state laws protect intellectual property. Intellectual property includes copyrights, trademarks, patents, and trade secrets. Employees are expected to protect the Company's intellectual property rights, and respect the intellectual property rights of others (including former employers or competitors). Each of these are described in the following discussion.

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- Installing computer software on more than one computer system. Review the terms of the license agreement. If only a single computer processing unit (CPU) is licensed, purchase additional copies of the software for the other computers.
- Downloading information from a subscription database for uses beyond temporary reference. Review the subscription terms to determine what copying rights are granted or summarize the information in your own words.
- Creating a new training video or presentation that includes artwork or clips from an existing non-APS work. Contact the publisher or author for permission.
- Using the Company's written documents, computer software, audio or video recordings. APS' copyrighted works may only be used as authorized for Company business, and only if it is proper to use them under the Company's procedures for confidentiality.

Trademarks

Trademark laws protect consumers from confusion as to the source and quality of goods or services. Trademarks may become protected either by registration or by actual use which creates an impression in the public's mind that there is a relationship between the trademark and the product or service. Infringement is the use of a similar mark in a manner likely to cause confusion.

- might constitute a violation of trademark laws:

- Adopting a new slogan, name, or symbol for goods or services APS will make available to customers or the public. Request a trademark search by the Law Department to identify confusingly similar trademarks in use or reserved by others.

Patents

Patent laws give an inventor exclusive rights to make, use and sell the patented invention, which may include a process, a machine, or the manufacture or composition of a tangible thing. Once a patent is issued, the invention is protected.

The following are examples of activities that might constitute a violation of patent laws:

- Making and using a new process or device developed internally, and selling or giving it to others. Promptly and fully disclose to your management any invention or work you create or develop while employed by the Company. Request a patent search to determine whether it might infringe upon an existing patent or whether it should be patented.

- Infringement on third party patent rights. Promptly inform the Law Department so action may be taken to avoid potential liability of triple damages for "knowingly" infringing a patent.

Trade Secrets

Trade secret laws prohibit misappropriation of valuable information which is not generally available and is protected from public disclosure by the owner taking reasonable steps under the circumstances. Generally, this involves secrecy agreements, also known as non-disclosure or confidentiality agreements. The following are examples of activities that might constitute a violation of trade secret laws:

- Sharing with others outside of APS any confidential or proprietary information or trade secret belonging to APS. This information may not be shared with others without prior authorization by your management.
 - Sharing with others or using the confidential information or trade secrets of other parties, such as former employers, competitors, or companies with which APS is working. Review contracts and circumstances under which APS received the information to determine whether a nondisclosure agreement applies or an implied obligation of confidentiality exists. Obtain the express, written permission of the other party before using or disclosing such information.
- Employees are expected to comply with the restrictions placed on the use or disclosure by the other party.

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Dealing in APS and Pinnacle West Securities

Federal and state laws regulate the sale and purchase of securities – like APS stock or the stock of its parent, Pinnacle West Capital Corporation. It is unlawful, and APS policy prohibits any director, officer or employee from buying or selling these securities (including transfers between funds relating to the APS Savings Plans) based upon significant information that is not publicly known – or from assessing that information along to others. This also applies to information relating to any other company obtained in the course of employment by APS.

Significant information means information that could reasonably affect the price of a security. For instance, you might learn that the company is preparing to announce an important new development in its business. It would be unlawful and against Company policy to purchase stock in anticipation of this announcement before the Company had made it publicly known. This is called insider trading. It would also be unlawful and against Company policy to share that information with someone else. The director, officer or employee who violates this prohibition can be personally subject to substantial civil and criminal penalties – and the company can be held responsible for his/her misconduct.

Certain short-term or speculative transactions involving either APS or Pinnacle West securities by directors, officers or employees are so prohibited. It is unlawful and against APS Policy to participate in any of the following activities:

- If you or a member of your family or your household has information that could reasonably affect the price of APS or Pinnacle West stock, and that is not publicly known, neither you nor that individual may buy or sell securities of the Company or Pinnacle West or engage in any other action to take advantage of that information, or to pass it along to another. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency) are no exception.
- Whether the information is proprietary information about APS or Pinnacle West or information that potentially could have an impact on the price of either company's securities, you must not pass that information along to other people or discuss it so that others become aware of the information such that they could then trade in either company's securities.
- It is also improper for you to trade APS or Pinnacle West securities immediately after APS or Pinnacle West has publicly announced material information, including, but not limited to, earnings figures. Because APS and Pinnacle West shareholders, as well as the investing public, should be afforded enough time to receive the information and evaluate it, as a general rule it is suggested that you not engage in any transactions in APS or Pinnacle West securities until the third business day after the information has been publicly released. It is improper for you to engage in any of the following activities with respect to either Pinnacle West or APS securities:

- Short sales
- Buying or selling puts or calls.
- Directors, officers and employees of APS are expected to be familiar with the Company's Statement of Policy Regarding Insider Trading By Company Personnel.

Dealing With Public Officials

APS has extensive relationships with government agencies and public officials, government employees and representatives. These relationships include such activities as lobbying with members of legislative bodies, meetings with regulatory authorities which may influence their official action, the submission of reports and filings with government agencies, and inspections of Company facilities, property or documents by government representatives.

It is unlawful and/or against Company policy to:

- Bribe a public official or receive a bribe from a public official.
- Interfere with governmental functions.
- Intentionally submit incorrect, misleading or fraudulent information – in written or oral form – to a public official or the government agency which he/she represents.

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- Engage in activities designed to influence the legislative process, or to influence official action of public officials, or government employees or representatives, unless done in accordance with applicable laws governing lobbying.
- APS policy requires the observance of the following rules when dealing with public officials and government agencies:
 - Conduct your relationships with public officials, government employees and representatives in an honest and ethical manner.
 - Do not influence or attempt to influence public officials in the exercise of their duties by offering gifts, gratuities or other promises of reward or benefit – and don't solicit or accept any such favors from public officials.
 - Do not falsify or distort information provided to government agencies. Act in such a manner as will not impede public officials in the proper exercise of their authority.

Employee Benefits

- APS recognizes that its employee benefit plans are established solely for the welfare of employees and eligible dependents. It is unlawful and/or against Company policy to:
- Use funds from APS' employee welfare or qualified plans in an unauthorized manner.

- Falsify information in order to obtain benefits from APS' employee welfare or qualified plans.
- Offer, ask or accept a bribe or kickback or other gift from a director, officer, employee or agent of APS with the intent of influencing decisions relating to welfare or qualified plans.
- Falsify, misrepresent or knowingly conceal information or submit inaccurate information required to be reported to government agencies about APS' employee welfare and qualified plans.

Employee Health and Safety

It is necessary to identify and establish proper safety conduct, which the Company expects you to follow.

It is unlawful and/or against Company policy to:

- Violate federal, state or local regulations relative to safety.
- Fail to abide by safe working rules set forth in the APS Accident Prevention Manual, or the operating procedures for the facility in which you work, such as the Palo Verde Occupational Safety and Health Program, Cholla Power Plant Safety Handbook, or the Four Corners Power Plant Safety Handbook.

- You are expected to observe all safety rules and practices. You are expected to do everything possible to insure your safety and that of fellow employees, contractors, visitors and the public. You are required to be alert to unsafe conditions in your work area and to promptly report and/or correct these conditions.
- If you need assistance or guidance in understanding your responsibilities for health and safety you can consult with the following:
- 29 CFR Part 1910, which contains the Occupational Safety and Health Standards for General Industry
 - 29 CFR Part 1926, which contains the Occupational Safety and Health Standards for Construction Industry
 - 49 CFR, Chapters 27 & 40, which contains regulations dealing with the transportation of hazardous materials
 - Procedure 40-1, dealing with Employee Injury and Close Call Investigation
 - The APS Accident Prevention Manual.
 - If you are located at a power plant operated by APS, you should also consult with the following resources:
 - Palo Verde Occupational Safety and Health Program
 - Four Corners Power Plant Safety Handbook
 - Cholla Power Plant Safety Handbook.All of the references listed above further explain proper conduct when dealing with health and safety.

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Equal Employment Opportunity

APS directors, officers, employees and agents are responsible for compliance with the equal employment opportunities laws, which prohibit discrimination in employment because of sex, race, color, age, national origin, religion, or disability. The objective of these laws is to ensure that individuals are treated fairly throughout the employment process here at APS.

It is therefore unlawful and against Company policy to violate any federal, state, and local law or regulation dealing with equal employment opportunity. For example, you could be in violation of these requirements if you were to:

Fail to hire or promote an individual because of that individual's race, color, sex, national origin, religion, age, or disability status.

Treat an individual differently in the terms and conditions of their employment, or in the exercise of the Company's disciplinary and discharge policies because of that individual's race, color, sex, national origin, religion, age, or disability status.

Harass any individual or allow harassment to occur because of that person's race, color, sex, national origin, religion, age, or disability.

Segregate or sponsor functions which segregate on the basis of any individual's race, color, sex, national origin, religion, age, disability, except where the interests of privacy for the sexes is required.

- Fail to cooperate in a truthful and forthcoming manner in connection with the investigation of any complaints, which arise about an individual's employment by the Company.
- Retaliate in any manner against any individual who makes a complaint concerning equal employment opportunity.
- Because of the complex nature of the equal employment opportunity laws and regulations involved, this document cannot deal with all specific compliance issues which may arise. Therefore, you should exercise good judgment in your dealings with fellow employees of the Company.

Environmental Protection

It is APS' policy to comply with all applicable federal, state, county and municipal environmental laws and regulations.

The following list contains examples of activities that raise legal or regulatory issues, which could result in environmental noncompliance. These examples represent a significant risk and potential liability. However, the list does not contain every issue that could result in noncompliance.

It is unlawful and against Company policy to:

- Fail to obtain environmental permits for the construction or modification of equipment, systems, or processes, or for any activity conducted at APS facilities when such permits are required.

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- Fail to comply with all applicable permit conditions and regulations.
- Discharge, spill, emit or otherwise release pollutants into the environment without a permit, and in quantities in excess of those allowed in applicable permits.
- Fail to notify the appropriate environmental agency of discharges, releases, emissions and spills of pollutants into the environment as required.
- Fail to follow appropriate regulatory requirements addressing cleanup or remediation of pollutant spills and releases or otherwise improperly undertake cleanup or remediation activities.
- Fail to identify all waste streams, and to properly store, transport and dispose of wastes.
- Falsify or withhold information, or fail to make timely and accurate reports to environmental agencies.
- Fail to keep accurate records for the required retention period.
- Fail to respond to or remedy a known environmental or health hazard or non-compliance situation in a timely manner.

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You are expected to be familiar with the following documents, Corporate policies and programs that relate to environmental protection:

- APS Environmental Health and Safety Policy
 - APS Environmental Health & Safety Management Plan
 - APS Environmental Health & Safety Management Practices
 - APS Corporate Employee Concerns Program
 - Palo Verde Employee Concerns Program for Palo Verde related concerns.
- Copies of these documents are available through the Environmental Health & Safety Department.

Hazardous Materials Management

APS' operations require it to use certain substances that are defined by law to be hazardous materials. Materials may be hazardous because they are combustible, flammable, corrosive, explosive, toxic, or radioactive. We

must exercise care in handling these substances to protect fellow employees, contractors, members of the public and the environment from the consequences if these substances are not handled properly. "Handling" includes

their proper use and storage at APS facilities or other sites where APS personnel or contractors may be working, their proper transportation to and from APS facilities and work sites, and their proper disposal once they have been used.

It is unlawful and/or against Company policy to:

- Use or store hazardous materials in a way that violates the law, Company procedures for their use or storage, or the manufacturer's instructions for their use or storage.
- Use or store hazardous materials in a way that exposes Company personnel, contractors, members of the public or the environment to threatened or actual harm that can result from inappropriate management.

- Transport hazardous materials in containers or packages that are not properly prepared and labeled to deal with the risk posed by the hazardous material.
- Transport hazardous materials in vehicles, vessels, railroad cars or aircraft that are not properly placarded to warn of the risks posed by the materials being transported.
- Inaccurately or incompletely or falsely describe hazardous materials in shipping papers used in connection with the transportation of these materials.
- Dispose of or discard hazardous materials in a way that exposes Company personnel, contractors, members of the public or the environment to the risks posed by the materials.

Employment of Persons Who Are Not U.S. Citizens

The immigration laws of the United States provide for substantial penalties against employers who hire foreign nationals that are not properly authorized to work in the United States.

To meet the requirements of the immigration laws you are expected to:

- Ensure an individual applying for employment is not an unauthorized alien by examining genuine documents that establish both employment authorization and identity, and by attesting that the required documents listed on the Employment Eligibility Verification (Form I-9) form are provided.
- Verify that an individual attests on the Employment Eligibility Verification Form (Form I-9) that they are a citizen or national of the United States.
- Retain the Employment Eligibility Verification forms (Form I-9) for a period of three (3) years after the date of the hire or one (1) year after the date of the individual's termination of employment.

The management of hazardous materials is also addressed by the Company's environmental and safety procedures. Those procedures provide further explanation of the proper way to manage these substances.

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Not intimidate, threaten, coerce, retaliate, or interfere with any individual's right to file a charge or complaint, testify, assist or participate in any investigation, proceeding or hearing regarding employment by the Company.

Protect the privacy and security of personnel information in your possession (including personal information about employees and employment applicants). Ensure compliance with federal and state investigations. Ensure that all new changes in federal and state laws dealing with the employment of foreign nationals are promptly implemented.

- Pay, lend, deliver or agree to pay, lend or deliver any money, or other things of value, in attempt to influence any employee or employees in the exercising of their rights to organize and collectively bargain.

APS' directors, officers, employees and agents are expected to maintain the highest ethical standards in their conduct of Company and/or work related business. You are expected not to attempt to influence the actions of an officer or employee of a labor organization in respect to his/her duties as a representative of employees or such labor organization.

abor Management Relations

APS recognizes the right of every employee to organize and bargain collectively through representatives of his/her own choosing. It is unlawful and/or against Company policy to:

Offer a bribe to an employee or representative of an employee or employees, for the purpose of influencing them in the exercising of their rights to organize or bargain collectively. Offer a bribe to any representative of a labor organization to influence them in respect to any actions, decisions, or duties as a representative of employees.

- Pay, lend, deliver or agree to pay, lend or deliver any money, or other things of value, in attempt to influence any employee or employees in the exercising of their rights to organize and collectively bargain.

It is unlawful and/or against Company policy to:

- Violate federal, state and local laws or regulations as they pertain to nuclear matters.
- Violate the Operating Licenses, as amended, that are issued for the operation of PVNGS by the Nuclear Regulatory Commission.
- Violate orders of the Nuclear Regulatory Commission that are now in effect or that may be issued at some future time.

• Violate employee's rights to raise and discuss their concerns with APS or the Nuclear Regulatory Commission without fear of retribution, retaliation, or termination.

- Falsify or withhold information from federal, state and local authorities.

Nuclear Safety

APS' nuclear operations and facilities are required to operate in conformity with certain laws and regulations, including the Atomic Energy Act of 1954, the Energy Reorganization Act of 1974, National Energy Policy Act of 1992, and other applicable federal, state, and local laws or regulations. Directors, officers, employees and agents of APS must also comply with the Operating Licenses issued by the Nuclear Regulatory Commission for the Palo Verde Nuclear Generating Station (PVNGS).

The following list contains examples of activities that raise legal or regulatory issues,

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There are a number of resources that can help you further understand your responsibilities in relation to nuclear matters. You can consult:

- Title 10 of the Code of Federal Regulations, which contains the regulations of the Nuclear Regulatory Commission
- Title 12, Chapter 1 of the Arizona Administrative Code, which contains the regulations of the Arizona Radiation Regulatory Agency
- PVNGS Operating Licenses and amendments; NPF-41, NPF-51, and NPF-74
- APS Corporate Employee Concerns Program and Palo Verde Employee Concerns Program.

Copies of these documents are available for review through the Document Control Desk at the PVNGS Office of Nuclear Regulatory Affairs.

Substance Use, Possession and Abuse

APS is committed to encourage a work environment free from the illegal or inappropriate use of drugs and alcohol.

Performance, which may be impaired due to the presence of a chemical substance in your system, is unacceptable, constitutes a violation of Company policy and is subject to disciplinary action. If performance may be impaired by the

use of drugs as prescribed by a doctor, you must report this to your manager or supervisor as appropriate.

It is against the law and/or contrary to APS policy to:

- Sell, purchase, possess or use illegal drugs on the job or on APS property.
- Sell, purchase, possess or consume alcohol on the job or on Company property.
- Be under the influence of alcohol or illegal drugs on the job or on Company property.
- Be involved off the job with drugs or alcohol in a way that may affect job performance or is so flagrant as to seriously and adversely affect the Company's reputation.
- Any employee whose job performance or behavior indicates they are under the influence of drugs or alcohol may be requested by management to submit to drug or alcohol testing according to Company policy.
- In addition, all individuals who hold unescorted access to the protected area of PVNGS and those assigned to the Nuclear Division of APS are subject to the Nuclear Fitness For Duty policies which are designed to maintain a working environment which is both safe and perceived as safe by the public.
- It is unlawful and/or against Company policy for those who hold unescorted access to the protected area of PVNGS and those assigned to the Nuclear Division of APS to:

 - Use, possess or traffic in illegal drugs.

- Abuse alcohol or legal drugs prescribed or purchased over the counter.
- Possess, consume, or sell any alcoholic beverage while on, or in, Company property or during working hours, or while representing the Company at a business function.
- Operate an APS motor vehicle while under the influence of drugs or alcohol as identified by Arizona Statutes or common law.
- Those who hold unescorted access to the protected area of PVNGS, those assigned to the Nuclear Division of APS, and those other employees required to physically report to the Emergency Operations Facility (EOF) must, in order to comply with the law and Company policy:
 - Notify the Health Services Leader in writing of any criminal drug statute conviction for a violation occurring in the workplace. Notification must be given no later than five (5) days after the conviction.
 - Report to their leaders any observations of behavior or condition which indicates that either themselves or another person may not be fit for duty.
 - Promptly notify the Access Authorization Section Leader and their immediate leader/designee of their arrest.
 - Submit to drug and alcohol testing including, but not limited to, random, for cause and follow up testing if warranted under Company policy.

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- All individuals who are licensed nuclear operators, fire fighters, armed security officers and those who hold ADOT/Crane certification must report all use of prescription medication, with the exception of birth control pills, to either their supervisor or the medical clinic.
- All APS employees must report any drug statute conviction for a violation occurring in the workplace to their leader or Human Resource representative and do so no later than five (5) days after the conviction.

Taxation

Taxes are paid to federal, state, county, city and tribal governments. As a taxpayer, the company is required by law to file accurate reports and tax returns with the government because it is required to pay taxes, APS must maintain proper records that accurately reflect activities and permit verification of the proper amount of tax liabilities.

It is unlawful and/or against Company policy to:

- Evade the payment of taxes that are lawfully owed by APS.
- Avoid filing tax returns that are required to be filed with the appropriate governmental agencies.
- Fail to keep records that substantiate the Company's obligations to pay taxes.
- Fail to provide information properly requested by government taxing authorities.

- Intentionally submit incorrect, misleading or fraudulent information – in written or oral form – to a public official or the government agency which he/she represents.
 - Intentionally falsify, destroy or withhold records relating to the financial condition of the Company that are required to be kept by law.
- Your job may include the preparation or maintenance of information that is reported in tax returns submitted by APS. For instance, you may be responsible for accounting for operating expenses incurred by your department; or revenues received; or keeping track of property purchased, sold or owned by APS. Or it may be your job to provide information to Tax Services in connection with the preparation of tax returns or filings.

If your job relates to keeping track of Company expenses, Company property or revenues, chances are you have something to do with taxation. You are expected to follow these rules:

- Exercise due care in the collection of information to be included in tax reports and returns. "Due care" means using your best efforts to insure the information is complete and accurate. You are expected to accurately and correctly include this information in the filings to avoid misrepresentations or inaccuracies.

- If your job involves the preparation of tax returns, make tax returns and filings on a timely basis, by the date required by applicable law for filing, unless an extension of the due date has been obtained on behalf of the Company.
 - Conduct your dealings with government tax authorities in an honest and ethical manner, in accordance with the standards set forth in this Corporate Standards of Conduct.
- You should consult the Company's Tax Services Department relating to the payment of taxes, the maintenance of tax-related information, and dealings with public officials, government employees or representatives. Questions about tax-related record keeping should also be addressed to Tax Services.

Our Commitment

Remember, we cannot, as a company or as individuals, forget the importance of ethical conduct and compliance with the law as we strive to achieve our business goals. It is up to each of us to assure continued commitment to ethically and legally appropriate conduct.

APS Employee Concerns
1-800-446-8441

Palo Verde Employee Concerns
82-2702
1-800-293-6498



THE POWER TO MAKE IT HAPPEN SM

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ACC Competition Rules/APS Code of Conduct Training Status as of 12/31/98

Departments Completing Training for Leaders Only:

- Construction/System Improvement
- Corporate Services
- Customer Operations
- NE Division
- NW Division
- SE Division
- SW Division

Departments Currently Scheduled for Training - Leaders Only:

- Financial Services/Accounting
- Yuma Call Center

Departments Completing Training – Combined Leaders and Front-line Employee Sessions:

- APS Energy Services
- C&I Marketing Strategy
- Community Relations
- Corporate Communications
- Cottonwood Office/District
- Customer Service Operations & Maintenance
- Customer Relations
- Economic Development
- ESP Services
- Flagstaff Customer Office
- Flagstaff Meter Reading
- Flagstaff Customer Construction
- Information Technology - Special Projects
- Law & Corporate Planning
- Parker Office/District
- Payson Office/District
- T&D Engineering & Support
- T&D Procurement
- T&D Safety
- West Valley District
- Yuma Customer Office

Departments Currently Scheduled for Training – Combined Leaders and Front-line Employee Sessions:

- Generation News Services
- Prescott Customer Construction
- Substation Construction
- System Improvement Construction – West
- System Improvement West Pole Framing
- System Improvement – Reliability Analysis
- Transportation Services
- Williams Office/District

1

APS Energy Services

HOW TO CONDUCT BUSINESS IN A DEREGULATED WORLD

**Colleen Hawk
Strategic Planning
ext. 81-3235**

AGENDA

- ✓ MYTH BUSTRING
- ✓ WHY DO WE NEED TRAINING?
- ✓ WHAT ARE "THE RULES"?
- ✓ WHAT AFFECTS US?
- ✓ WHAT DOES ALL THAT MEAN?
- ✓ WHAT CAN I DO?
- ✓ WHAT CAN HAPPEN IF WE DON'T FOLLOW THE RULES?
- ✓ RESOURCES

MYTH BUSTING

- ✓ Departments in the deregulated and regulated areas are prohibited from coexisting on the same floors of CHQ.
- ✓ All employees working in the deregulated areas of the company will be terminated and replaced with lower-salaried employees.

- ✓ There can't be husbands and wives working in both the deregulated and regulated areas of the company. One of them will have to quit.
- ✓ CHQ coffee rooms will be "competition free zones".

- ✓ All cafeterias will be divided by "deregulated" and "regulated" instead of "smoking" and "non-smoking".
- ✓ Prior to the move, smokers at CHQ who work in the regulated area will be required to smoke only on the east side of the building, smokers working for APSES will be required to only smoke on the west side of CHQ.

- ✓ Deregulated bathrooms will be on the odd floors of CHQ, regulated on the even floors (but no more bathrooms on the 20th floor).
- ✓ Jack Davis will not be allowed to talk to himself.

WHY DO WE NEED TRAINING?

The ACC Competition Rules provide the directions for establishing and operating the UDC and they govern the UDC's relationship with the company's competitive (unregulated) affiliates.

The Rules restrict an affiliate's ability to access UDC customer information thus preventing it from having an unfair advantage over its competitors.

WHAT ARE "THE RULES"?

ACC Competition Rules:

Title 14. Public Service Corporations;
Corporations And Associations;
Securities Regulation

Chapter 2. Corporation Commission - Fixed
Utilities

Article 16. Retail Electric Competition

WHAT AFFECTS US?

Section R14-2-1617. Affiliate Transactions - Key Definitions:

AU - Affected Utility

Competitive Services - All aspects of retail electric services except those specifically defined as non-competitive services. Such competitive services are metering, billing and non-tariff energy sales.

ESP - Electric Services Provider

Section R14-2-1617. Affiliate

Transactions - Key Definitions:

Standard Offer - Bundled Service offered by the UDC to all consumers in the UDC's service territory at regulated rates.

UDC - Utility Distribution Company

SECTION R14-2-1617

AFFILIATE TRANSACTIONS:

✓ Access to information:

- Affiliates can't have access to confidential utility information.
- The UDC must provide customer information to its affiliates and non-affiliates on a non-discriminatory basis, provided the customer consents in advance, in writing.

✓ Subsidization:

- UDCs and affiliates must keep separate books and records
- UDCs can't use shared corporate support functions as a means to transfer confidential information, allow preferential treatment, or create significant opportunities for cross-subsidization of its affiliates. . .

✓ Subsidization (con't.):

- Non-tariffed goods and services provided by an AU/UDC to an affiliate shall be transferred at the higher of the fully allocated cost or the market price.

✓ Shared Services:

- The AU/UDC shall not share office space, equipment, services and systems with its competitive affiliate . . . except to perform shared corporate support functions.
- Any shared support shall be priced, reported and conducted in accordance with all applicable Commission pricing and reporting requirements.

✓ Non-Discrimination:

- An Affected Utility, Utility Distribution Company, or their affiliates shall not provide their affiliates, or customers of their affiliates, any preference over non-affiliated suppliers or their customers in the provision of services.

✓ Non-Discrimination (con't.):

- In the course of business development and customer relations, an AU or UDC shall refrain from:
 - Providing leads to its affiliates;
 - Soliciting business on behalf of affiliates;
 - Acquiring information on behalf of, or providing information to, its affiliates;
 - Sharing market analysis reports or any non-publicly available reports. . .

✓ Promotions:

- UDCs can't give affiliates advertising space unless they offer it to non-affiliates, too.
- UDCs can't participate in joint advertising, marketing or sales with an affiliate.
- Affiliates can't trade, promote or advertise their affiliation with an AU or UDC or make use of the AU's name or logo . . . unless it discloses that it is not the same company as the AU or UDC.

✓ Promotions (con't.):

- Any list of ESPs provided by a UDC to its customers has to include both affiliates and non-affiliates.
- UDCs can't give customers advice that includes promoting, marketing or selling its affiliates or other service providers.

WHAT DOES THAT MEAN?

In a nutshell: With respect to customer specific information and confidential information, APS Delivery Business employees have to treat APSES on the same terms as any unaffiliated ESP, such as PG&E Energy Services, New Energy Ventures, etc.

Just remember, if you won't give customer information to SRP, you can't give it to APS' ESP.

EXERCISE #1

APS' Business Delivery Company is sponsoring a booth at the AZ Home & Garden Show.

Can they invite APS Energy Services to share the booth?

ANSWER

No. The ACC Competition Rules prohibit a UDC from participating in joint promotions with its competitive affiliate.

EXERCISE #2

A Standard Offer customer tells a Delivery Business employee that his company is going to be building a new facility in SRP's service territory but the company's looking at signing up with an ESP for both the existing and planned facilities.

Can the Delivery Business employee let someone at APSES know about the customer's interest?

ANSWER

No. The ACC Competition Rules prohibit the AU or UDC from sharing business leads with its competitive affiliate.

The Rules also prevent the UDC from soliciting the vendor's business on behalf of an affiliate. The employee can offer to give the customer the ACC's list of certificated ESPs and of course, APSES will be on that list.

SO . . .

If the customer asks for information on APS' ESP, the Delivery Business employee can give them an APSES contact name and phone number.

As long as the customer identifies his interest in APS' ESP, the Delivery Business employee can provide the customer with the name and number.

Delivery Business employees just can't volunteer information on APSES.

EXERCISE #3

You wants I/T to provide an additional service
that isn't included in your SLA.
Can I/T do that for you?

ANSWER

Yes, for a price.

APSES would have to pay the fully allocated costs or the market value, whichever is higher, for the service you want I/T to provide.

EXERCISE #4

You're going to make a presentation to the City of Parker and you ask the APS Delivery Business' area supervisor to attend the presentation with you.

Is he required to attend?

ANSWER

He is not required to attend with you but he is required to treat all ESPs equally.

So if he decides to attend a presentation with one ESP, he has to be prepared to attend additional presentations with all other ESPs that ask.

REMINDER

The ACC Competition Rules prohibit an Affected Utility/UDC from:

- ✓ promoting any ESP or its products,
 - ✓ discriminating against an ESP or
 - ✓ providing preferential treatment to the AU's competitive affiliate.
- The Affected Utility/UDC are required to provide equal treatment toward all ESPs.

Therefore, even if a customer asks, Delivery Business employees are not to offer any comment or opinion on the amount of the customer's bill or his choice of ESP.

Instead they should explain that everyone's energy requirements and usage are different as are the products and services offered by each ESP. Encourage the customer to contact his ESP if he has questions or concerns.

WHAT CAN HAPPEN IF WE DON'T FOLLOW THE RULES?

"The state (of Rhode Island) has ruled that Providence Gas Co. tilted Rhode Island's fledgling marketplace, where natural gas is sold competitively to about 1,000 business customers, to favor a sister company.

The ruling by the state . . . ordered Providence Gas to pay \$315,000 in fines and other payments."

IN CALIFORNIA. . .

The California PUC fined PG&E \$1,680,000 for violating a section of California's Affiliate Transaction Rules.

In March, PG&E Energy Services ran a series of advertisements that the Commission found didn't explain that PG&E Energy Services is not the same company as PG&E, the regulated utility.

The required disclaimer was included in the ad but it wasn't considered legible.

IN PENNSYLVANIA . . .

The PUC ordered PECO Energy Company to "cease and desist" from creating and maintaining links on its corporate website with not only its electric generation supplier, Exelon, but with any PECO suppliers.

The practice is considered a violation of the PUC's Order and PECO's interim Code of Conduct which prohibits joint marketing.

RESOURCES

✓ Your Leader

✓ **Code of Conduct** - The "how to" guide for conducting day-to-day business in compliance with the Commission's rules.

✓ **ACC Website for Certificated ESPs** -
www.cc.state.az.us/utility/electric/esp.htm

ADDITIONAL RESOURCE

**Colleen Hawk
Corporate Planning
81-3235
e-mail: chawk01**

2

C&I Marketing Strategy

HOW TO CONDUCT BUSINESS IN A Deregulated World

**Colleen Hawk
Strategic Planning
ext. 81-3235**

AGENDA

- ✓ MYTH BUSTING
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- ✓ RESOURCES

MYTH BUSTING

- ✓ Departments in the deregulated and regulated areas can't coexist on the same floors of the building. People in the deregulated area will have to be moved off "regulated" floors by 1/1/99.
- ✓ All employees working in the deregulated areas of the company will be terminated and replaced with lower-salaried employees.

- There can't be husbands and wives working in both the deregulated and regulated areas of the company. One of them will have to quit.
- Employees in the regulated area can't bid into jobs in deregulated areas.

- ✓ Coffee rooms will be "competition free zones".
- ✓ All cafeterias will be divided by "deregulated" and "regulated" instead of "smoking" and "non-smoking".
- ✓ Smokers at CHQ who work in the regulated area will be required to smoke only on the west side of the building, smokers working in deregulated areas will be required to only smoke on the east side of the building.

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- ✓ Jack Davis will not be allowed to talk to himself.

WHY DO WE NEED TRAINING?

The ACC Competition Rules provide the directions for establishing and operating the UDC and they govern the UDC's relationship with the company's competitive (unregulated) affiliates.

The Rules restrict an affiliate's ability to access UDC customer information thus preventing it from having an unfair advantage over its competitors.

WHAT ARE "THE RULES"?

ACC Competition Rules:

Title 14. Public Service Corporations;
Corporations And Associations;
Securities Regulation

Chapter 2. Corporation Commission - Fixed
Utilities

Article 16. Retail Electric Competition

WHAT AFFECTS US?

Section R14-2-1617. Affiliate Transactions - Key Definitions:

Competitive Services - All aspects of retail electric services except those specifically defined as non-competitive services. Such services are metering, billing and non-tariff energy sales.

ESP - Energy Services Provider

Section R14-2-1617. Affiliate

Transactions - Key Definitions:

Standard Offer - Bundled Service offered by the UDC to all consumers in the UDC's service territory at regulated rates. (This limitation regarding the service territory pertains to the sale of all regulated products.)

UDC - Utility Distribution Company

SECTION R14-2-1617

AFFILIATE TRANSACTIONS:

✓ Access to information:

- Affiliates can't have access to confidential utility information.
- The UDC must provide customer information to its affiliates and non-affiliates on a non-discriminatory basis, provided the customer consents in advance, in writing.

SECTION R14-2-1617 AFFILIATE TRANSACTIONS:

✓ Subsidization:

- UDCs and affiliates must keep separate books and records
- UDCs can't use shared corporate support functions as a means to transfer confidential information, allow preferential treatment, or create significant opportunities for cross-subsidization of its affiliates. . .

- Affiliates can't be subsidized by any rate or charge for any non-competitive service.
- Non-tariffed goods & services provided by the UDC to an affiliate shall be transferred at either the fully allocated cost or the market price, whichever is higher.

SECTION R14-2-1617 AFFILIATE TRANSACTIONS:

✓ Non-Discrimination

- An Affected Utility, Utility Distribution Company, or their affiliates shall not provide their affiliates, or customers of their affiliates, any preference over non-affiliated suppliers or their customers in the provision of services.

SECTION R14-2-1617 AFFILIATE TRANSACTIONS:

✓ Promotions:

- UDCs can't give affiliates advertising space unless they offer it to non-affiliates, too.
- UDCs can't participate in joint advertising, marketing or sales with an affiliate.
- Affiliates can't trade, promote or advertise their affiliation with an AU or UDC or make use of the AU's name or logo . . . unless it discloses that it is not the same company as the AU or UDC.

PG&E ENERGY SERVICES DISCLAIMER:

"PG&E Energy Services is not the same company as Pacific Gas and Electric Company, the utility. PG&E Energy Services is not regulated by the California Public Utilities Commission, and you do not have to buy PG&E Energy Services' products in order to continue to receive quality regulated services from Pacific Gas and Electric Company, the utility."

SCE'S DISCLAIMER:

"Southern California Edison (SCE) is separate from the other Edison International companies, which are not regulated by the California Public Utilities Commission. Customers of SCE do not have to purchase products from these other companies in order to continue to receive quality regulated services from SCE."

✓ Promotions (con't.):

- Any list of ESPs provided by a UDC to its customers has to include both affiliates and non-affiliates.
- UDCs can't give customers advice that includes promoting, marketing or selling its affiliates or other service providers.

WHAT DOES ALL THAT MEAN?

In a nutshell: With respect to customer specific information and confidential information, UDC employees have to treat APS' ESP on the same terms as any unaffiliated ESP, such as SRP's ESP (or TEP's or Enron's).

Just remember, if you won't give customer information to SRP, you can't give it to APS' ESP.

WHAT CAN I DO?

After all of those "can'ts" let's work on some "cans".

Using a few exercises you'll get familiar with the rules and learn how they apply to you and how you do your job.

Just a reminder - the Standard Offer is your product.

EXERCISE #1

APS' Delivery Company is sponsoring a booth at
the Home Show.

Can you invite APS Energy Services to share the
booth?

ANSWER

No. The ACC Competition Rules prohibit a UDC from participating in joint promotions with its competitive affiliate.

EXERCISE #2

What if a Standard Offer customer tells you she's thinking about signing up with an ESP? Can you promote the benefits of staying with the Standard Offer and try to sell her on not switching?

ANSWER

Absolutely! There's nothing in the ACC Competition Rules prohibiting a UDC from promoting its own service or product.

The Standard Offer is your product. You can and should promote it.

If the customer says "thanks but no thanks, I want to switch," you can offer to send her a copy of the ACC's list of ESP's doing business in Arizona.

EXERCISE #3

A customer stops at the Home Show booth and asks you questions about the APS Honeywell thermostat or security system.

How can you answer their questions?

ANSWER

The Competition Rules prohibit UDC employees from promoting, marketing or selling **any** ESP's products or services; that includes APS Energy Services.

The Code of Conduct also states that Distribution Company employees will not directly promote, market, or sell an affiliate's non-distribution services for or on behalf of an Affiliate as a distribution service.

SO. . .

You can respond by explaining that those products are no longer available from APS and that they have to be purchased from an energy services company.

You can also offer to provide them with the ACC's list of ESPs currently approved to do business in Arizona or give them the website address where they access the ACC's list for themselves.

AND,

You can provide good customer service by explaining how the product(s) works, its benefits and other factors to consider.

With that information, the customer can make his own decision as to whether he should buy one and if so, which one.

EXERCISE #4

APS Energy Services is handing out APS-developed brochures at their Home Show booth.

Can they do that?

ANSWER

- Yes.** The Rules allow an affiliate to use an Affected Utility's logo and material for marketing and promotional purposes as long as the material includes a disclaimer. The disclaimer has to state that the affiliate is not the same company as the Affected Utility and that the Affected Utility's UDC customers do not have to purchase the affiliate's products in order to continue to receive UDC services.

EXAMPLE #5

In the past, some now-UDC employees provided technical assistance on situations involving residential customers.

Can the UDC provide the same or similar services to APS Energy Services?

ANSWER

Yes, for a price.

The Rules and the Code of Conduct require that the competitive affiliate be charged either the incremental cost of the service or its market value, whichever is higher for any non-power services the UDC provides to the affiliate.

WHAT CAN HAPPEN IF WE DON'T FOLLOW THE RULES?

"The state (of Rhode Island) has ruled that Providence Gas Co. tilted Rhode Island's fledgling marketplace, where natural gas is sold competitively to about 1,000 business customers, to favor a sister company.

The ruling by the state . . . ordered Providence Gas to pay \$315,000 in fines and other payments."

PG&E DECISION PENDING

Although the final decision by the California PUC is pending, PG&E could face a fine of up to \$1,680,000 for violating a section of California's Affiliate Transaction Rules.

In March 1998, PG&E Energy Services ran advertisements where, it's claimed, the required disclaimer was not legible.

IN PENNSYLVANIA . . .

The PUC ordered PECO Energy Company to "cease and desist" from creating and maintaining links on its corporate website with not only its electric generation supplier, Exelon, but with any PECO suppliers.

The practice is considered a violation of the PUC's Order and PECO's interim Code of Conduct which prohibits joint marketing.

RESOURCES

- ✓ **Your Leader**
- ✓ **Code of Conduct** - The "how to" guide for conducting day-to-day business in compliance with the Commission's rules.
- ✓ **Code of Conduct Points to Remember** - abbreviated pocket-sized version for easy reference.

ADDITIONAL RESOURCE

**Colleen Hawk
Corporate Planning**

81-3235

e-mail: chawk01

3

Corporate Communications

And

Law/Corporate Planning

HOW TO CONDUCT BUSINESS IN A DEREGULATED WORLD

**Colleen Hawk
Strategic Planning
ext. 81-3235**

AGENDA

- ✓ MYTH BUSTING
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SECTION R14-2-1617

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- Any shared support shall be priced, reported and conducted in accordance with all applicable Commission pricing and reporting requirements.

✓ Shared Services (con't.):

- Non-tariffed goods and services provided by an AU/UDC to an affiliate shall be transferred at **the higher** of the fully allocated cost or the market price.

✓ Non-Discrimination:

- An Affected Utility, Utility Distribution Company, or their affiliates shall not provide their affiliates, or customers of their affiliates, any preference over non-affiliated suppliers or their customers in the provision of services.**

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 - Providing leads to its affiliates;
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- Affiliates can't trade, promote or advertise their affiliation with an AU or UDC or make use of the AU's name or logo . . . unless it discloses that it is not the same company as the AU or UDC.

APS ENERGY SERVICES DISCLAIMER MUST INCLUDE:

- ✓ APS Energy Services is an affiliate of Arizona Public Service Company, but it's not the same company as APS, the utility.
- ✓ Customers are not required to buy APS Energy Services' products in order to continue to receive regulated services from Arizona Public Service Company, the utility."

✓ Promotions (con't.):

- Any list of ESPs provided by a UDC to its customers has to include both affiliates and non-affiliates.
- UDCs can't give customers advice that includes promoting, marketing or selling its affiliates or other service providers.

WHAT DOES THAT MEAN?

As Shared Services functions, you'll be doing work for both regulated and unregulated affiliates.

As a result, you have to be meticulous in charging your time to appropriate accounts and/or administering your SLA.

You can't charge the hours you work for a unregulated affiliate to the UDC's accounts and vice versa.

AND . . .

Any UDC customer information you have access
to can't be used as part of any work you're
doing for the unregulated affiliates.

EXERCISE #1

APS' Business Delivery Company is sponsoring a booth at a city's charity fund-raiser.

Can APS Energy Services be invited to share the booth?

ANSWER

No. The ACC Competition Rules prohibit a UDC from participating in joint promotions with its competitive affiliate.

EXERCISE #2

One of your vendors mentions that he's interested in signing his company/facility with an ESP.

Can you let someone at APSES know about the vendor's interest?

ANSWER

No. The ACC Competition Rules prohibit the AU or UDC from sharing business leads with its competitive affiliate.

The Rules also prevent you from soliciting the vendor's business on behalf of APSES.

HOWEVER,

If the vendor asks for information on APS' ESP,
you can give them a contact name and phone
number for APSES.

As long as the vendor or customer identifies his
interest in APS' ESP, you can provide them
with the name and number.
You just can't volunteer that information.

EXERCISE #3

APSES wants you to provide an additional service that isn't included in your SLA.
Can you?

ANSWER

Yes, for a price.

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RESOURCES

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- ✓ **Code of Conduct** - The "how to" guide for conducting day-to-day business in compliance with the Commission's rules.
- ✓ **ACC Competition Rules/Code of Conduct Training Q&As**
- ✓ **ACC Website for Certificated ESPs** -
www.cc.state.az.us/utility/electric/esp.htm

ADDITIONAL RESOURCE

**Colleen Hawk
Corporate Planning
81-3235
e-mail: chawk01**

4

Corporate Services

HOW TO CONDUCT BUSINESS IN A DEREGULATED WORLD

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- ✓ WHAT CAN I DO?
- ✓ WHAT CAN HAPPEN IF WE DON'T FOLLOW THE RULES?
- ✓ RESOURCES

MYTH BUSTING

- ✓ Departments in the deregulated and regulated areas can't coexist on the same floors of CHQ building. People in the deregulated area will have to be moved off "regulated" floors by 1/1/99.
- ✓ All employees working in the deregulated areas of the company will be terminated and replaced with lower-salaried employees.

- ✓ There can't be husbands and wives working in both the deregulated and regulated areas of the company. One of them will have to quit.
- ✓ Employees in the regulated area can't bid into jobs in deregulated areas.
- ✓ CHQ coffee rooms will be "competition free zones".

- ✓ All cafeterias will be divided by "deregulated" and "regulated" instead of "smoking" and "non-smoking".
- ✓ Smokers at CHQ who work in the regulated area will be required to smoke only on the west side of the building, smokers working in deregulated areas will be required to only smoke on the east side of the building.

- ✓ Deregulated bathrooms will be on the odd floors of CHQ, regulated on the even floors (but no more bathrooms on the 20th floor).
- ✓ Jack Davis will not be allowed to talk to himself.

WHY DO WE NEED TRAINING?

The ACC Competition Rules provide the directions for establishing and operating the UDC and they govern the UDC's relationship with the company's competitive (unregulated) affiliates.

The Rules restrict an affiliate's ability to access UDC customer information thus preventing it from having an unfair advantage over its competitors.

WHAT ARE "THE RULES"?

ACC Competition Rules:

Title 14. Public Service Corporations;
Corporations And Associations;
Securities Regulation

Chapter 2. Corporation Commission - Fixed
Utilities

Article 16. Retail Electric Competition

WHAT AFFECTS US?

Section R14-2-1617. Affiliate Transactions - Key Definitions:

AU - Affected Utility

Competitive Services - All aspects of retail electric services except those specifically defined as non-competitive services. Such services are metering, billing and non-tariff energy sales.

ESP - Energy Services Provider

Section R14-2-1617. Affiliate
Transactions - Key Definitions:

Standard Offer - Bundled Service offered by the UDC to all consumers in the UDC's service territory at regulated rates.

UDC - Utility Distribution Company

SECTION R14-2-1617

AFFILIATE TRANSACTIONS:

✓ Access to information:

- Affiliates can't have access to confidential utility information.
- The UDC must provide customer information to its affiliates and non-affiliates on a non-discriminatory basis, provided the customer consents in advance, in writing.

✓ Subsidization:

- UDCs and affiliates must keep separate books and records
- UDCs can't use shared corporate support functions as a means to transfer confidential information, allow preferential treatment, or create significant opportunities for cross-subsidization of its affiliates. . .

✓ Shared Services:

- The AU/UDC shall not share office space, equipment, services and systems with its competitive affiliate . . . except to perform shared corporate support functions.
- Any shared support shall be priced, reported and conducted in accordance with all applicable Commission pricing and reporting requirements.

✓ Shared Services (con't.):

- Non-tariffed goods and services provided by an AU/UDC to an affiliate shall be transferred at the higher of the fully allocated cost or the market price.

✓ Non-Discrimination:

- An Affected Utility, Utility Distribution Company, or their affiliates shall not provide their affiliates, or customers of their affiliates, any preference over non-affiliated suppliers or their customers in the provision of services.

✓ Non-Discrimination (con't.):

- In the course of business development and customer relations, an AU or UDC shall refrain from:
 - Providing leads to its affiliates;
 - Soliciting business on behalf of affiliates;
 - Acquiring information on behalf of, or providing information to, its affiliates. . .

✓ Promotions:

- UDCs can't give affiliates advertising space unless they offer it to non-affiliates, too.
- UDCs can't participate in joint advertising, marketing or sales with an affiliate.
- Affiliates can't trade, promote or advertise their affiliation with an AU or UDC or make use of the AU's name or logo . . . unless it discloses that it is not the same company as the AU or UDC.

APS ENERGY SERVICES DISCLAIMER:

"APS Energy Services is an affiliate of Arizona Public Service Company, however the business and services provided are separate from the business and services of Arizona Public Services Company, the utility.

Customers are not required to buy APS Energy Services' products in order to continue to receive regulated services from Arizona Public Service Company, the utility."

✓ Promotions (con't.):

- Any list of ESPs provided by a UDC to its customers has to include both affiliates and non-affiliates.
- UDCs can't give customers advice that includes promoting, marketing or selling its affiliates or other service providers.

WHAT DOES THAT MEAN?

As Shared Services functions, you'll be doing work for both regulated and unregulated affiliates.

As a result, you have to be meticulous in charging your time to appropriate accounts and/or administering your SLA.

You can't charge the hours you work for a unregulated affiliate to the UDC's accounts and vice versa.

AND . . .

Any UDC customer information you have access
to can't be used as part of any work you're
doing for the unregulated affiliates.

EXERCISE #1

APS' Business Delivery Company is sponsoring a booth at a city's charity fund-raiser.

Can APS Energy Services be invited to share the booth?

ANSWER

No. The ACC Competition Rules prohibit a UDC from participating in joint promotions with its competitive affiliate.

EXERCISE #2

A vendor mentions that he's interested in signing up with an ESP.
Can you let someone at APSES know about the vendor's interest?

ANSWER

No. The ACC Competition Rules prohibit the AU or UDC from sharing business leads with its competitive affiliate.

The Rules also prevent you from soliciting the vendor's business on behalf of APSES.

HOWEVER,

If the vendor asks for information on APS' ESP,
you can give them a contact name and phone
number for APSES.

As long as the vendor or customer identifies his
interest in APS' ESP, you can provide them
with the name and number.
You just can't volunteer that information.

EXERCISE #3

APSES is using the APS suite for a Coyotes game at the America West Arena and has invited several of its customers to attend the game.

APSES asks you to join them in the suite. Can you go?

ANSWER

Yes. Since the guests are already customers of APSES, there's no opportunity for either joint promotion or business solicitation.

As a representative of APS, the Affected Utility, you have no competitive services to sell to APSES' customers so there's no conflict if you attend the event with them.

EXERCISE #4

APSES wants you to provide an additional service that isn't included in your SLA.

Can you?

ANSWER

Yes, for a price.

APSES would have to pay the fully allocated costs or the market value, whichever is higher for the service they want you to provide.

EXAMPLE #5

A customer approaches you and tells you that he has a complaint about his electric bill.
What's the first thing you do?
Then what?

ANSWER

First, determine if the customer is on the Standard Offer.

If he is, refer him to the Customer Call Center.

If the customer is not on the Standard Offer, you'll have to determine whether his question pertains to ESP charges or delivery charges.

For ESP-related questions, explain that you don't have that information and that the customer will need to contact his energy service provider.

If you have the EPS' customer service phone number offer to give it to the customer or explain where the number is located on the bill.

REMINDER

The ACC Competition Rules prohibit an Affected Utility/UDC from:

- ✓ promoting any ESP or its products,
- ✓ discriminating against an ESP or
- ✓ providing preferential treatment to the AU's competitive affiliate.

The Affected Utility/UDC must maintain equal treatment toward all ESPs.

Therefore, even if the customer asks, DO NOT offer any comment or opinion on the amount of the customer's bill or his choice of ESP. Instead explain that everyone's energy requirements and usage are different as are the products and services offered by each ESP. Encourage the customer to contact his ESP if he has questions or concerns.

WHAT CAN HAPPEN IF WE DON'T FOLLOW THE RULES?

"The state (of Rhode Island) has ruled that Providence Gas Co. tilted Rhode Island's fledgling marketplace, where natural gas is sold competitively to about 1,000 business customers, to favor a sister company.

The ruling by the state . . . ordered Providence Gas to pay \$315,000 in fines and other payments."

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The required disclaimer was included in the ad but it wasn't considered legible.

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The practice is considered a violation of the PUC's Order and PECO's interim Code of Conduct which prohibits joint marketing.

RESOURCES

- ✓ Your Leader
- ✓ Code of Conduct - The "how to" guide for conducting day-to-day business in compliance with the Commission's rules.
- ✓ ACC Competition Rules/Code of Conduct Training Q&As

ADDITIONAL RESOURCE

**Colleen Hawk
Corporate Planning
81-3235
e-mail: chawk01**

5

Community Relations

And

Customer Relations

HOW TO CONDUCT BUSINESS IN A DEREGULATED WORLD

**Colleen Hawk
Strategic Planning
ext. 81-3235**

AGENDA

- ✓ MYTH BUSTING
- ✓ WHY DO WE NEED TRAINING?
- ✓ WHAT ARE "THE RULES"?
- ✓ WHAT AFFECTS US?
- ✓ WHAT DOES ALL THAT MEAN?
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- ✓ All employees will have to sign non-compete agreements.
- ✓ Employees in the regulated area can't bid into jobs in deregulated areas.

- ✓ Coffee rooms will be "competition free zones".
- ✓ All cafeterias will be divided by "deregulated" and "regulated" instead of "smoking" and "non-smoking".
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SECTION R14-2-1617

AFFILIATE TRANSACTIONS:

✓ Access to information:

- Affiliates can't have access to confidential utility information.**
- The UDC must provide customer information to its affiliates and non-affiliates on a non-discriminatory basis, provided the customer consents in advance, in writing.**

SECTION R14-2-1617 AFFILIATE TRANSACTIONS:

✓ Subsidization:

- UDCs and affiliates must keep separate books and records
- UDCs can't use shared corporate support functions as a means to transfer confidential information, allow preferential treatment, or create significant opportunities for cross-subsidization of its affiliates. . .

- Affiliates can't be subsidized by any rate or charge for any non-competitive service.
- Non-tariffed goods & services provided by the UDC to an affiliate shall be transferred at either the fully allocated cost or the market price, whichever is higher.

SECTION R14-2-1617 AFFILIATE TRANSACTIONS:

✓ Non-Discrimination

- An Affected Utility, Utility Distribution Company, or their affiliates shall not provide their affiliates, or customers of their affiliates, any preference over non-affiliated suppliers or their customers in the provision of services.**

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- In the course of business development and customer relations, an AU or UDC shall refrain from:
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WHAT DOES ALL THAT MEAN?

In a nutshell: With respect to customer specific information and confidential information, Delivery Business employees have to treat APS Energy Services on the same terms as any unaffiliated ESP, such as SRP's ESP (or TEP's or Enron's).

Just remember, if you won't give customer information to SRP, you can't give it to APSES.

EXERCISE #1

APS is sponsoring an information booth at a community or fund-raising event (for example: GAIN, Race for the Cure, etc.)

Can APS Energy Services be invited to share the booth?

ANSWER

No. The ACC Competition Rules prohibit an Affected Utility and/or UDC from participating in joint promotions with its competitive affiliate.

EXERCISE #2

The Goodyear City Manager tells you that he's interested in signing the city with an ESP. Can you let someone at APS Energy Services know of his interest?

ANSWER

No. The ACC Competition Rules prohibit the AU or UDC from sharing business leads with its competitive affiliate.

The Rules also prevent you from soliciting the City Manager's on behalf of APSES.

EXERCISE #3

APSES is using the APS suite for a Coyotes game at the America West Arena and has invited several of its customers to attend the game.

APSES asks you to join them in the suite. Can you go?

ANSWER

Yes. Since the guests are already customers of APSES, there's no opportunity for either joint promotion or business solicitation.

As a representative of APS, the Affected Utility, you have no competitive services to sell to APSES' customers so there's no conflict if you attend the event with them.

EXERCISE #4

APS Energy Services asks you to represent them at a Mesa Chamber of Commerce event.

Can you do that?

ANSWER

Yes, for a price. Since the City of Mesa is not in APS' service territory, you have no competitive services to offer and only APSES can benefit from your attendance and participation.

APSES would have to pay the fully allocated costs for the time you spend representing them at the event.

EXAMPLE #5

A customer tells you that she thinks there's something wrong with her electric bill. What's the first thing you should do? Then what?

ANSWER

First, you have to determine if the customer is on the Standard Offer.

If she is, you can explain that he needs to contact APS' Customer Call Center and give her the number to call.

If the customer is not on the Standard Offer, you need to determine, whether her question pertains to ESP charges or delivery charges.

For ESP-related questions, explain that you don't have that information and that she will need to contact her energy service provider. If you have the customer service phone number for her ESP available, offer to give it to her or explain where on it's located on the bill.

REMINDER

-
- The ACC Competition Rules prohibit a UDC from:
- ✓ promoting any ESP or its products,
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Therefore, even if the customer asks, DO NOT offer any comment or opinion on the amount of the customer's bill or his choice of ESP.

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IN PENNSYLVANIA . . .

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The practice is considered a violation of the PUC's Order and PECO's interim Code of Conduct which prohibits joint marketing.

RESOURCES

- ✓ Your Leader
- ✓ **Code of Conduct** - The "how to" guide for conducting day-to-day business in compliance with the Commission's rules.
- ✓ **ACC Competition Rules/Code of Conduct**
- Training Q&As** - The questions have been submitted by APS employees. The answers include cross-references to the application sections of the ACC Competition Rules.

ADDITIONAL RESOURCE

**Colleen Hawk
Corporate Planning**

81-3235

e-mail: chawk01

6

Customer Operations

**Includes but is not limited to
functions such as:**

Yuma Call Center
Phoenix Call Center

HOW TO CONDUCT BUSINESS IN A Deregulated World

**Colleen Hawk
Strategic Planning
ext. 81-3235**

AGENDA

- ✓ MYTH BUSTING
- ✓ WHY DO WE NEED TRAINING?
- ✓ WHAT ARE "THE RULES"?
- ✓ WHAT AFFECTS US?
- ✓ WHAT DOES ALL THAT MEAN?
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Utilities

Article 16. Retail Electric Competition

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WHAT DOES ALL THAT MEAN?

In a nutshell: With respect to customer specific information and confidential information, UDC employees have to treat APS' ESP on the same terms as any unaffiliated ESP, such as SRP's ESP (or TEP's or Enron's).

Just remember, if you won't give customer information to SRP, you can't give it to APS' ESP.

REMINDER. . .

**THE STANDARD OFFER
IS YOUR PRODUCT.**

EXERCISE #1

A Standard Offer customer tells you she's thinking about signing up with an ESP. Can you promote the benefits of staying with the Standard Offer and try to sell her on not switching?

ANSWER

Absolutely! There's nothing in the ACC Competition Rules prohibiting a UDC from promoting its own service or product.

The Standard Offer is your product. You can and should promote it.

If the customer says "Thanks but no thanks. I want to switch.", you can offer to send her a copy of the ACC's list of ESP's doing business in Arizona.

EXERCISE #2

A customer asks you to help him sort out the difference between the specific retail companies.

Can you?

ANSWER

No. According to the ACC Competition Rules and the APS Code of Conduct, AU/UDC employees can't provide customers with advice about specific ESPs. That includes advice that can appear to be promoting, marketing or selling any ESP's products or services.

HOWEVER . . .

You can explain some of the issues/options the customer might want to consider when evaluating ESPs.

You should also explain that customers aren't required to change energy providers and then discuss the benefits of remaining with the Standard Offer.

EXERCISE #3

A customer asks you to explain the offers from APSES or asks for details about what APSES is doing?

If you know, can you tell him?

ANSWER

No. You can't provide a customer with advice or information about any ESP, even APSES. That could be considered promoting, marketing or selling APSES products.

HOWEVER . . .

You can explain that APSES is a separate company and that he will need to contact it directly for that information.

AND . . .

Because the customer identified that he's interested in APSES you can provide him with a contact name and phone number.

EXAMPLE #4

A customer calls with a complaint about his electric bill.
What's the first thing you do?
Then what?

ANSWER

First, determine if the customer is on the Standard Offer.

If he is, you can handle his questions according to standard Delivery Business procedures.

If the customer is not on the Standard Offer, you'll have to determine whether his question pertains to ESP charges or delivery charges.

For ESP-related questions, explain that you don't have that information and that the customer will need to contact his energy service provider.

If you have the EPS' customer service phone number offer to give it to the customer or explain where the number is located on the bill.

EXERCISE #5

A customer asks you if she made the right choice of an ESP or a particular competitive service.

What do you tell her?

ANSWER

This is another instance where you can't provide a customer with advice about an ESP. You may, however, explain that every customer's needs and requirements are different and that each ESP has different products and services. Therefore, the right choice is different for each person. You can also remind her that she always has the option of returning to the Standard Offer if she's not satisfied with her ESP.

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THEREFORE. . .

Even if the customer asks, DO NOT offer any comment or opinion on the amount of the customer's bill or his choice of ESP.

Instead explain that everyone's energy requirements and usage are different as are the products and services offered by each ESP. Encourage the customer to contact his ESP if he has questions or concerns.

AND . . .

**You should remind the customer that the option
of his returning to the Standard Offer is
always available.**

ONE LAST REMINDER. . .

Don't promote the Standard Offer by running down an ESP or its products and services.
Promote the Standard Offer on its own merits.

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RESOURCES

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✓ Code of Conduct Points to Remember - abbreviated pocket-sized version for easy reference.

✓ ACC Competition Rules/Code of Conduct Training Q&As

ADDITIONAL RESOURCE

**Colleen Hawk
Corporate Planning
81-3235
e-mail: chawk01**

7

Customer Service Operations and Maintenance

HOW TO CONDUCT BUSINESS IN A Deregulated World

**Colleen Hawk
Strategic Planning
ext. 81-3235**

AGENDA

- ✓ MYTH BUSTING
- ✓ WHY DO WE NEED TRAINING?
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Article 16. Retail Electric Competition

WHAT AFFECTS US?

Section R14-2-1617. Affiliate
Transactions - Key Definitions:

AU - Affected Utility

Competitive Services - All aspects of retail electric services except those specifically defined as non-competitive services. Such competitive services are metering, billing & non-tariff energy sales.

ESP - Energy Services Provider

**Section R14-2-1617. Affiliate
Transactions - Key Definitions:**

Standard Offer - Bundled Service offered by the UDC to all consumers in the UDC's service territory at regulated rates.

UDC - Utility Distribution Company

SECTION R14-2-1617

AFFILIATE TRANSACTIONS:

✓ Access to information:

- Affiliates can't have access to confidential utility information.**
- The UDC must provide customer information to its affiliates and non-affiliates on a non-discriminatory basis, provided the customer consents in advance, in writing.**

✓ Subsidization:

- UDCs and affiliates must keep separate books and records
- UDCs can't use shared corporate support functions as a means to transfer confidential information, allow preferential treatment, or create significant opportunities for cross-subsidization of its affiliates. . .

✓ Non-Discrimination

- An Affected Utility, Utility Distribution Company, or their affiliates shall not provide their affiliates, or customers of their affiliates, any preference over non-affiliated suppliers or their customers in the provision of services.

✓ Promotions:

- UDCs can't give affiliates advertising space unless they offer it to non-affiliates, too.
- UDCs can't participate in joint advertising, marketing or sales with an affiliate.
- Affiliates can't trade, promote or advertise their affiliation with an AU or UDC or make use of the AU's name or logo . . . unless it discloses that it is not the same company as the AU or UDC.

APS ENERGY SERVICES DISCLAIMER:

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Customers are not required to buy APS Energy Services' products in order to continue to receive regulated services from Arizona Public Service Company, the utility."

✓ Promotions (con't.):

- Any list of ESPs provided by a UDC to its customers has to include both affiliates and non-affiliates.
- UDCs can't give customers advice that includes promoting, marketing or selling its affiliates or other service providers.

WHAT DOES ALL THAT MEAN?

In a nutshell: With respect to customer specific information and confidential information, UDC employees have to treat APS' ESP on the same terms as any unaffiliated ESP, such as SRP's ESP (or TEP's or Enron's).

Just remember, if you won't give customer information to SRP, you can't give it to APS' ESP.

WHAT CAN I DO?

REMINDER . . .

**THE STANDARD OFFER
IS YOUR PRODUCT.**

EXERCISE #1

A customer stops at the Home Show booth and asks you questions about the APS Honeywell thermostat or security system.
How can you answer their questions?

ANSWER

The Competition Rules prohibit UDC employees from promoting, marketing or selling any ESP's products or services; that includes APS Energy Services.

The Code of Conduct also states that Distribution Company employees will not directly promote, market, or sell an affiliate's non-distribution services for or on behalf of an Affiliate as a distribution service.

SO. . .

You can respond by explaining that those products are no longer available from APS and that they have to be purchased from an energy services company.

You can also offer to provide them with the ACC's list of ESPs currently approved to do business in Arizona or give them the website address where they access the ACC's list for themselves.

AND,

You can provide good customer service by explaining how the product(s) works, its benefits and other factors to consider.

With that information, the customer can make his own decision as to whether he should buy one and if so, which one.

EXERCISE #2

A Standard Offer customer tells you she's thinking about signing up with an ESP. Can you promote the benefits of staying with the Standard Offer and try to sell her on not switching?

ANSWER

Absolutely! There's nothing in the ACC Competition Rules prohibiting a UDC from promoting its own service or product.

The Standard Offer is your product. You can and should promote it.

If the customer says "thanks but no thanks, I want to switch," you can offer to send her a copy of the ACC's list of ESP's doing business in Arizona.

EXERCISE #3

A contractor and/or customer is interested in getting construction power for use on his project.

What can you tell them?

What can't you tell them?

ANSWER - THE CAN

You can explain the provisions of the Standard Offer. You should also explain that signing up for the Standard Offer for construction power doesn't obligate the customer to continue on the Standard Off once the project is complete, however, remaining on the the Standard Offer for permanent power is an available options. to discuss with his ESP.

ANSWER - THE CAN'T

You can't provide any information regarding
ESPs and their products and services.

(However, you can offer to provide a copy of
the ACC list of approved ESPs or give the
customer the website address to access the
list for himself.)

EXERCISE #4

A customer asks you to help him sort out the difference between the specific retail companies.

Can you?

ANSWER

No. According to the ACC Competition Rules and the APS Code of Conduct, AU/UDC employees can't provide customers with advice about specific ESPs. That includes advice that can appear to be promoting, marketing or selling any ESP's products or services.

HOWEVER . . .

You can explain some of the issues/options the customer might want to consider when evaluating ESPS.

You should also explain that customers aren't required to change energy providers and then discuss the benefits of remaining with the Standard Offer.

EXAMPLE #5

A customer tells you he thinks there's a
problem with his electric bill.
What's the first thing you do?
Then what?

ANSWER

First, determine if the customer is on the Standard Offer.

If he is, you can handle his questions according to standard Delivery Business procedures.

If the customer is not on the Standard Offer, you'll have to determine whether his question pertains to ESP charges or delivery charges.

For ESP-related questions, explain that you don't have that information and that the customer will need to contact his energy service provider.

If you have the EPS' customer service phone number offer to give it to the customer or explain where the number is located on the bill.

REMINDER

The ACC Competition Rules prohibit an Affected Utility/UDC from:

- ✓ promoting any ESP or its products,
 - ✓ discriminating against an ESP or
 - ✓ providing preferential treatment to the AU's competitive affiliate.
- The Affected Utility/UDC must maintain equal treatment toward all ESFs.

THEREFORE . . .

Even if the customer asks, DO NOT offer any comment or opinion on the amount of the customer's bill or his choice of ESP.

Instead explain that everyone's energy requirements and usage are different as are the products and services offered by each ESP. Encourage the customer to contact his ESP if he has questions or concerns.

AND . . .

**You should remind the customer that the option
of his returning to the Standard Offer is
always available.**

ONE LAST REMINDER . . .

Don't promote the Standard Offer by running down an ESP or its products and services.

Promote the Standard Offer on its own merits.

WHAT CAN HAPPEN IF WE DON'T FOLLOW THE RULES?

"The state (of Rhode Island) has ruled that Providence Gas Co. tilted Rhode Island's fledgling marketplace, where natural gas is sold competitively to about 1,000 business customers, to favor a sister company.

The ruling by the state . . . ordered Providence Gas to pay \$315,000 in fines and other payments."

IN CALIFORNIA . . .

In November the California PUC fined PG&E \$1,680,000 for violating a section of California's Affiliate Transaction Rules.

PG&E Energy Services ran a series of advertisements in March that the Commission found didn't adequately explain that PG&E Energy Services is not the same company as PG&E, the regulated utility.

The required disclaimer was included in the ad but it wasn't considered legible.

IN PENNSYLVANIA . . .

The PUC ordered PECO Energy Company to “cease and desist” from creating and maintaining links on its corporate website with not only its electric generation supplier, Exelon, but with any PECO suppliers.

The practice is considered a violation of the PUC’s Order and PECO’s interim Code of Conduct which prohibits joint marketing.

RESOURCES

✓ Your Leader

✓ Code of Conduct - The "how to" guide for conducting day-to-day business in compliance with the Commission's rules.

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✓ ACC Competition Rules/Code of Conduct Training Q&As

ADDITIONAL RESOURCE

**Colleen Hawk
Corporate Planning
81-3235
e-mail: chawk01**

8

SE Division
Including:
Casa Grande
Globe
Cochise County
Buckeye
Eloy
Coolidge

SW Division
Including:
Yuma
Parker

NE Division
Including:
Flagstaff
Williams
Payson
Showlow
Winslow

NW Division
Including:
Prescott
Sedona
Cottonwood
Wickenburg

HOW TO CONDUCT BUSINESS IN A DEREGULATED WORLD

**Colleen Hawk
Strategic Planning
ext. 81-3235**

AGENDA

- ✓ MYTH BUSTING
- ✓ WHY DO WE NEED TRAINING?
- ✓ WHAT ARE "THE RULES"?
- ✓ WHAT AFFECTS US?
- ✓ WHAT DOES ALL THAT MEAN?
- ✓ WHAT CAN I DO?
- ✓ WHAT CAN HAPPEN IF WE DON'T FOLLOW THE RULES?
- ✓ RESOURCES

MYTH BUSTING

- ✓ Departments in the deregulated and regulated areas can't coexist on the same floors of CHQ building. People in the deregulated area will have to be moved off "regulated" floors by 1/1/99.
- ✓ All employees working in the deregulated areas of the company will be terminated and replaced with lower-salaried employees.

- ✓ There can't be husbands and wives working in both the deregulated and regulated areas of the company. One of them will have to quit.
- ✓ Employees in the regulated area can't bid into jobs in deregulated areas.
- ✓ CHQ coffee rooms will be "competition free zones".

- ✓ All cafeterias will be divided by "deregulated" and "regulated" instead of "smoking" and "non-smoking".
- ✓ Smokers at CHQ who work in the regulated area will be required to smoke only on the west side of the building, smokers working in deregulated areas will be required to only smoke on the east side of the building.

- ✓ Deregulated bathrooms will be on the odd floors of CHQ, regulated on the even floors (but no more bathrooms on the 20th floor).
- ✓ Jack Davis will not be allowed to talk to himself.

WHY DO WE NEED TRAINING?

The ACC Competition Rules provide the directions for establishing and operating the UDC and they govern the UDC's relationship with the company's competitive (unregulated) affiliates.

The Rules restrict an affiliate's ability to access UDC customer information thus preventing it from having an unfair advantage over its competitors.

WHAT ARE "THE RULES"?

ACC Competition Rules:

Title 14. Public Service Corporations;
Corporations And Associations;
Securities Regulation

Chapter 2. Corporation Commission - Fixed
Utilities

Article 16. Retail Electric Competition

WHAT AFFECTS US?

Section R14-2-1617. Affiliate Transactions - Key Definitions:

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SECTION R14-2-1617

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Just remember, if you won't give customer information to SRP, you can't give it to APS' ESP.

REMINDER. . .

THE STANDARD OFFER
IS YOUR PRODUCT.

EXERCISE #1

APS' Business Delivery Company is sponsoring a booth at a city's charity fund-raiser. Can APS Energy Services be invited to share the booth?

ANSWER

No. The ACC Competition Rules prohibit a UDC from participating in joint promotions with its competitive affiliate.

EXERCISE #2

What if a Standard Offer customer tells you she's thinking about signing up with an ESP? Can you promote the benefits of staying with the Standard Offer and try to sell her on not switching?

ANSWER

Absolutely! There's nothing in the ACC Competition Rules prohibiting a UDC from promoting its own service or product.

The Standard Offer is your product. You can and should promote it.

If the customer says "thanks but no thanks, I want to switch," you can offer to send her a copy of the ACC's list of ESP's doing business in Arizona.

EXERCISE #3

A contractor and/or customer is interested in getting construction power for use on his project.

What can the Design Project Leader or Service Coordinator tell them?

What can't the DPL or Service Coordinator tell them?

ANSWER - THE CAN

The DPL or SC can explain the provisions of the Standard Offer. They should also explain that signing up for the Standard Offer for construction power doesn't obligate the customer to continue on the Standard Offer once the project is complete, however, remaining on the the Standard Offer for permanent power is an available options. to discuss with his ESP.

ANSWER - THE CAN'T

The DPL or SC can't provide any information regarding ESPs and their products and services.

(However, they can offer to provide a copy of the ACC list of approved ESPs or give the customer the website address to access the list for himself.)

EXERCISE #4

- A serviceman and/or meterman notices a potential safety hazard on the customer's side of the meter.
- Even though it's a non-standard offer customer and the meter is not owned by APS, can the serviceman disconnect?

ANSWER

Yes. This situation is covered in Section 8.2.5 of APS' Schedule 10:

"APS reserves the right to perform emergency meter services such as: installing service fault-kits, removing damaged/hazardous meters, restoring service, etc."

This provision is applied equally to all UDC customers regardless of their ESP.

EXAMPLE #5

A customer calls with a complaint about his electric bill.

What's the first thing you do?
Then what?

ANSWER

First, determine if the customer is on the Standard Offer.

If he is, you can handle his questions according to standard Delivery Business procedures.

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- The Affected Utility/UDC must maintain equal treatment toward all ESPs.

Therefore, even if the customer asks, DO NOT offer any comment or opinion on the amount of the customer's bill or his choice of ESP. Instead explain that everyone's energy requirements and usage are different as are the products and services offered by each ESP. Encourage the customer to contact his ESP if he has questions or concerns.

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ADDITIONAL RESOURCE

**Colleen Hawk
Corporate Planning
81-3235
e-mail: chawk01**

9

Economic Development

HOW TO CONDUCT BUSINESS IN A DEREGULATED WORLD

**Colleen Hawk
Strategic Planning
ext. 81-3235**

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- ✓ MYTH BUSTING
- ✓ WHY DO WE NEED TRAINING?
- ✓ WHAT ARE "THE RULES"?
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✓ Non-Discrimination (con't.):

- In the course of business development and customer relations, an AU or UDC shall refrain from:
 - Providing leads to its affiliates;
 - Soliciting business on behalf of affiliates;
 - Acquiring information on behalf of, or providing information to, its affiliates. . .

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A customer stops at the Home Show booth and asks you questions about the APS Honeywell thermostat or security system.
How can you answer their questions?

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EXERCISE #3

If the customer asks you how he can contact APSES (or APS' energy services company, or APS' retail company), what should you do?

ANSWER

Give him the APSES' phone number.

Because the customer (and not you) identified that he wants to contact APSES, you can give him a contact name and number.

EXERCISE #4

A customer asks you to help him sort out the difference between the specific retail companies.

Can you?

ANSWER

No. According to the ACC Competition Rules and the APS Code of Conduct, AU/UDC employees can't provide customers with advice about specific ESPs. That includes advice that can appear to be promoting, marketing or selling any ESP's products or services.

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ADDITIONAL RESOURCE

**Colleen Hawk
Corporate Planning
81-3235
e-mail: chawk01**

10

ESP Services

HOW TO CONDUCT BUSINESS IN A DEREGULATED WORLD

**Colleen Hawk
Strategic Planning
ext. 81-3235**

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- ✓ WHY DO WE NEED TRAINING?
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Section R14-2-1617. Affiliate Transactions - Key Definitions:

AU - Affected Utility

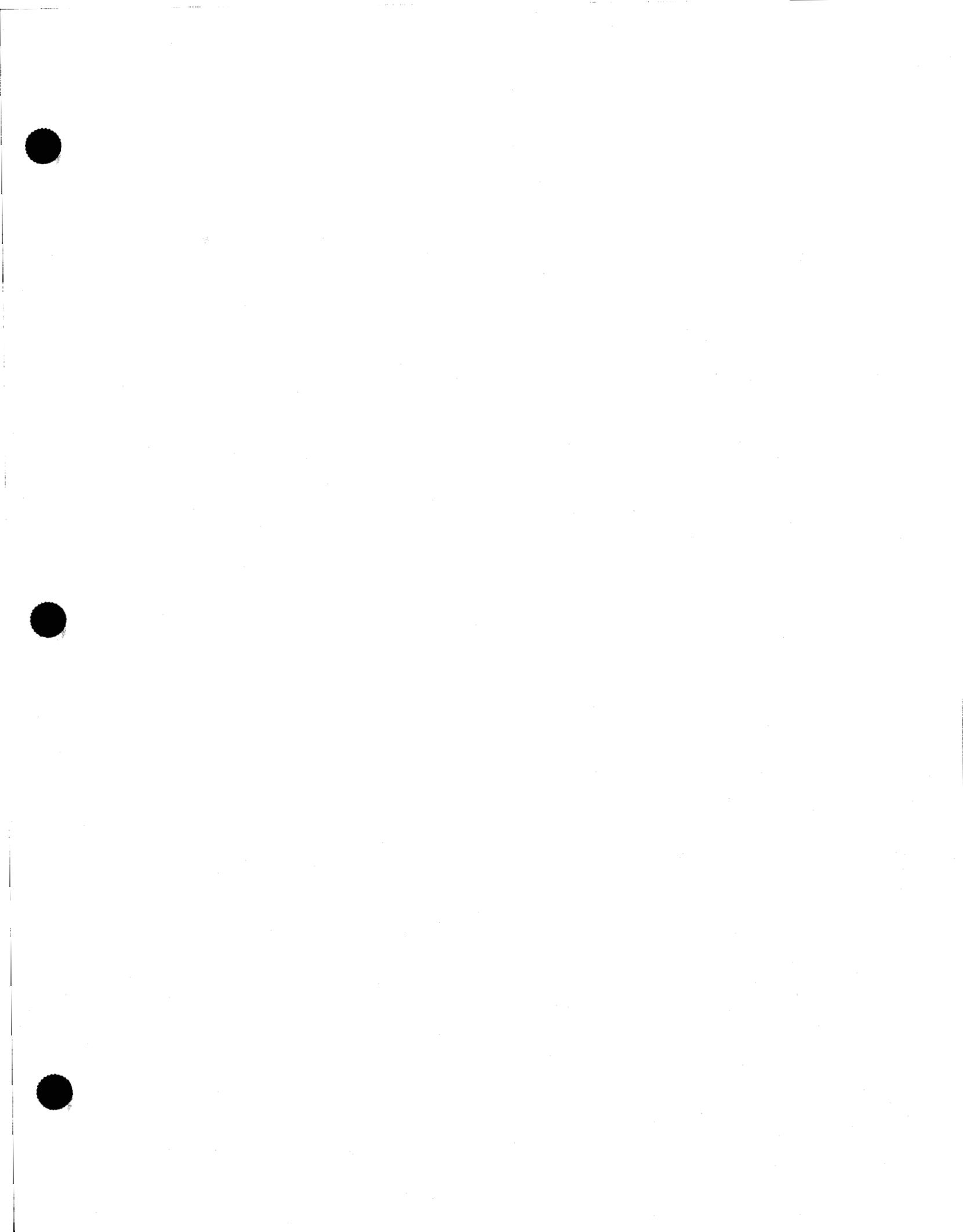
Competitive Services - All aspects of retail electric services except those specifically defined as non-competitive services. Such services are metering, billing and non-tariff energy sales.

ESP - Energy Services Provider

Section R14-2-1617. Affiliate
Transactions - Key Definitions:

Standard Offer - Bundled Service offered by the UDC to all consumers in the UDC's service territory at regulated rates.

UDC - Utility Distribution Company



SECTION R14-2-1617

AFFILIATE TRANSACTIONS:

✓ Access to information:

- Affiliates can't have access to confidential utility information.**
- The UDC must provide customer information to its affiliates and non-affiliates on a non-discriminatory basis, provided the customer consents in advance, in writing.**

SECTION R14-2-1617 AFFILIATE TRANSACTIONS:

✓ Subsidization:

- UDCs and affiliates must keep separate books and records
- UDCs can't use shared corporate support functions as a means to transfer confidential information, allow preferential treatment, or create significant opportunities for cross-subsidization of its affiliates. . .

- Affiliates can't be subsidized by any rate or charge for any non-competitive service.
- Non-tariffed goods & services provided by the UDC to an affiliate shall be transferred at either the fully allocated cost or the market price, whichever is higher.

SECTION R14-2-1617 AFFILIATE TRANSACTIONS:

✓ Non-Discrimination

- An Affected Utility, Utility Distribution Company, or their affiliates shall not provide their affiliates, or customers of their affiliates, any preference over non-affiliated suppliers or their customers in the provision of services.**

SECTION R14-2-1617 AFFILIATE TRANSACTIONS:

✓ Promotions:

- UDCs can't give affiliates advertising space unless they offer it to non-affiliates, too.
- UDCs can't participate in joint advertising, marketing or sales with an affiliate.
- Affiliates can't trade, promote or advertise their affiliation with an AU or UDC or make use of the AU's name or logo . . . unless it discloses that it is not the same company as the AU or UDC.

APS ENERGY SERVICES DISCLAIMER:

"APS Energy Services is an affiliate of Arizona Public Service Company, however the business and services provided are separate from the business and services of Arizona Public Services Company, the utility.

Customers are not required to buy APS Energy Services' products in order to continue to receive regulated services from Arizona Public Service Company, the utility."

✓ Promotions (con't.):

- Any list of ESPs provided by a UDC to its customers has to include both affiliates and non-affiliates.
- UDCs can't give customers advice that includes promoting, marketing or selling its affiliates or other service providers.

WHAT DOES ALL THAT MEAN?

In a nutshell: With respect to customer specific information and confidential information, UDC employees have to treat APS' ESP on the same terms as any unaffiliated ESP, such as SRP's ESP (or TEP's or Enron's).

Just remember, if you won't give customer information to SRP, you can't give it to APS' ESP.

WHAT CAN I DO?

After all of those "can'ts" let's work on some "cans".

Using a few exercises you'll get familiar with the rules and learn how they apply to you and how you do your job.

Just a reminder - the Standard Offer is your product.

EXERCISE #1

APS' Business Delivery Company is sponsoring a booth at the Home Show.

Can APS Energy Services be invited to share the booth?

ANSWER

No. The ACC Competition Rules prohibit a UDC from participating in joint promotions with its competitive affiliate.

EXERCISE #2

What if a Standard Offer customer tells you she's thinking about signing up with an ESP? Can you promote the benefits of staying with the Standard Offer and try to sell her on not switching?

ANSWER

Absolutely! There's nothing in the ACC Competition Rules prohibiting a UDC from promoting its own service or product.

The Standard Offer is your product. You can and should promote it.

If the customer says "thanks but no thanks, I want to switch," you can offer to send her a copy of the ACC's list of ESP's doing business in Arizona.

EXERCISE #3

Assume that APS Energy Services, SRP's ESP, New Energy Ventures (TEP) and Houston Industries have selected APS' Delivery Business to do their billing and collections for customers within Delivery's service territory. Since it takes about the same amount of time to process the work for each ESP, can the Delivery Business employees just estimate the hours they charge to each ESP?

ANSWER

No. Each business has to maintain separate books and records so the Delivery Business employees must charge each ESP the exact number of hours worked.

EXERCISE # 3A

Since APS Energy Services is an APS subsidiary,
can the Delivery Business charge APSES the
unallocated costs for processing its billings
and handling its collections?

ANSWER

No. According to the ACC Competition Rules and APS' Code of Conduct, non-tariffed goods & services provided by the UDC (Delivery Business) to an affiliate (APS Energy Services) shall be transferred at either the fully allocated cost or the market price, **whichever is higher.**

The rules also state that a UDC can't provide its affiliate preferential treatment.

EXERCISE #4

APS Energy Services is handing out APS-developed brochures at their Home Show booth.

Can they do that?

ANSWER

Yes. The Rules allow an affiliate to use an Affected Utility's logo and material for marketing and promotional purposes as long as the material includes a disclaimer. The disclaimer has to state that the affiliate is not the same company as the Affected Utility and that the Affected Utility's UDC customers do not have to purchase the affiliate's products in order to continue to receive UDC services.

EXAMPLE #5

A customer calls with a complaint about his electric bill.

What's the first thing you do? Then what?

ANSWER

First, you have to determine if the customer is on the Standard Offer.

If he is, you can handle his questions according to standard Delivery Business procedures.

Next you need to determine, if the customer is not on the Standard Offer, whether his question pertains to ESP charges or delivery charges.

For ESP-related questions, explain that you don't have that information and that the customer will need to contact his energy service provider.

If you have the EPS' customer service phone number offer to give it to the customer or explain where the number is located on the bill.

REMINDER

The ACC Competition Rules prohibit an Affected Utility/UDC from:

- ✓ promoting any ESP or its products,
 - ✓ discriminating against an ESP or
 - ✓ providing preferential treatment to the AU's competitive affiliate.
- The Affected Utility/UDC must maintain equal treatment toward all ESPs.

Therefore, even if the customer asks, DO NOT offer any comment or opinion on the amount of the customer's bill or his choice of ESP.

Instead explain that everyone's energy requirements and usage are different as are the products and services offered by each ESP. Encourage the customer to contact his ESP.

WHAT CAN HAPPEN IF WE DON'T FOLLOW THE RULES?

"The state (of Rhode Island) has ruled that Providence Gas Co. tilted Rhode Island's fledgling marketplace, where natural gas is sold competitively to about 1,000 business customers, to favor a sister company.

The ruling by the state . . . ordered Providence Gas to pay \$315,000 in fines and other payments."

IN CALIFORNIA . . .

The California PUC fined PG&E \$1,680,000 for violating a section of California's Affiliate Transaction Rules.

In March 1998, PG&E Energy Services ran a series of advertisements that the Commission found didn't explain that PG&E Energy Services is not the same company as PG&E, the regulated utility.

The required disclaimer was included in the ad but it wasn't considered legible.

IN PENNSYLVANIA . . .

The PUC ordered PECO Energy Company to "cease and desist" from creating and maintaining links on its corporate website with not only its electric generation supplier, Exelon, but with any PECO suppliers.

The practice is considered a violation of the PUC's Order and PECO's interim Code of Conduct which prohibits joint marketing.

RESOURCES

- ✓ **Your Leader**
- ✓ **Code of Conduct** - The "how to" guide for conducting day-to-day business in compliance with the Commission's rules.
- ✓ **Code of Conduct Points to Remember** - abbreviated pocket-sized version for easy reference.

ADDITIONAL RESOURCE

**Colleen Hawk
Corporate Planning
81-3235
e-mail: chawk01**

11

Information Technology Special Projects

HOW TO CONDUCT BUSINESS IN A Deregulated World

**Colleen Hawk
Strategic Planning
ext. 81-3235**

AGENDA

- ✓ MYTH BUSTING
- ✓ WHY DO WE NEED TRAINING?
- ✓ WHAT ARE "THE RULES"?
- ✓ WHAT AFFECTS US?
- ✓ WHAT DOES ALL THAT MEAN?
- ✓ WHAT CAN I DO?
- ✓ WHAT CAN HAPPEN IF WE DON'T FOLLOW THE RULES?
- ✓ RESOURCES

MYTH BUSTING

- ✓ Departments in the deregulated and regulated areas can't coexist on the same floors of CHQ building. People in the deregulated area will have to be moved off "regulated" floors by 1/1/99.
- ✓ All employees working in the deregulated areas of the company will be terminated and replaced with lower-salaried employees.

- There can't be husbands and wives working in both the deregulated and regulated areas of the company. One of them will have to quit.
- Employees in the regulated area can't bid into jobs in deregulated areas.
- CHQ coffee rooms will be "competition free zones".

- ✓ All cafeterias will be divided by "deregulated" and "regulated" instead of "smoking" and "non-smoking".
- ✓ Smokers at CHQ who work in the regulated area will be required to smoke only on the west side of the building, smokers working in deregulated areas will be required to only smoke on the east side of the building.

- ✓ Deregulated bathrooms will be on the odd floors of CHQ, regulated on the even floors (but no more bathrooms on the 20th floor).
- ✓ Jack Davis will not be allowed to talk to himself.

WHY DO WE NEED TRAINING?

The ACC Competition Rules provide the directions for establishing and operating the UDC and they govern the UDC's relationship with the company's competitive (unregulated) affiliates.

The Rules restrict an affiliate's ability to access UDC customer information thus preventing it from having an unfair advantage over its competitors.

WHAT ARE "THE RULES"?

ACC Competition Rules:

Title 14. Public Service Corporations;
Corporations And Associations;
Securities Regulation

Chapter 2. Corporation Commission - Fixed
Utilities

Article 16. Retail Electric Competition

WHAT AFFECTS US?

Section R14-2-1617. Affiliate Transactions - Key Definitions:

AU - Affected Utility

Competitive Services - All aspects of retail electric services except those specifically defined as non-competitive services. Such services are metering, billing and non-tariff energy sales.

ESP - Energy Services Provider

Section R14-2-1617. Affiliate

Transactions - Key Definitions:

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SECTION R14-2-1617

AFFILIATE TRANSACTIONS:

✓ Access to information:

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- The UDC must provide customer information to its affiliates and non-affiliates on a non-discriminatory basis, provided the customer consents in advance, in writing.

✓ Subsidization:

- UDCs and affiliates must keep separate books and records
- UDCs can't use shared corporate support functions as a means to transfer confidential information, allow preferential treatment, or create significant opportunities for cross-subsidization of its affiliates. . .

✓ Shared Services:

- The AU/UDC shall not share office space, equipment, services and systems with its competitive affiliate . . . except to perform shared corporate support functions.
- Any shared support shall be priced, reported and conducted in accordance with all applicable Commission pricing and reporting requirements.

✓ Shared Services (con't.):

- Non-tariffed goods and services provided by an AU/UDC to an affiliate shall be transferred at the higher of the fully allocated cost or the market price.

✓ Non-Discrimination:

- An Affected Utility, Utility Distribution Company, or their affiliates shall not provide their affiliates, or customers of their affiliates, any preference over non-affiliated suppliers or their customers in the provision of services.

✓ Non-Discrimination (con't.):

- In the course of business development and customer relations, an AU or UDC shall refrain from:
 - Providing leads to its affiliates;
 - Soliciting business on behalf of affiliates;
 - Acquiring information on behalf of, or providing information to, its affiliates;
 - Sharing market analysis reports or any non-publicly available reports. . .

✓ Promotions:

- UDCs can't give affiliates advertising space unless they offer it to non-affiliates, too.
- UDCs can't participate in joint advertising, marketing or sales with an affiliate.
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✓ Promotions (con't.):

- Any list of ESPs provided by a UDC to its customers has to include both affiliates and non-affiliates.
- UDCs can't give customers advice that includes promoting, marketing or selling its affiliates or other service providers.

WHAT DOES THAT MEAN?

As Shared Services functions, you'll be doing work for both regulated and unregulated affiliates.

As a result, you have to be meticulous in charging your time to appropriate accounts and/or administering your SLA.

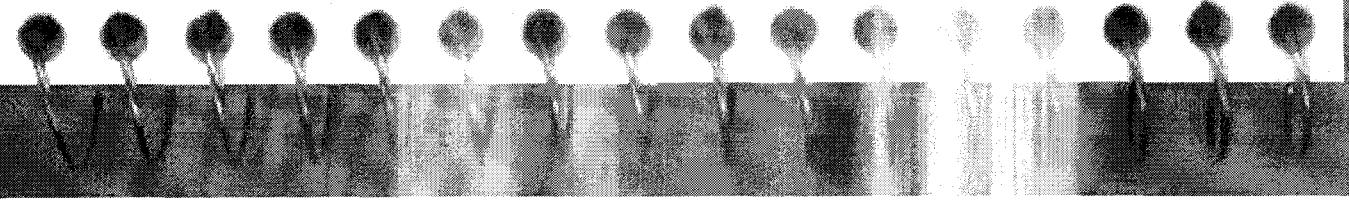
You can't charge the hours you work for a unregulated affiliate to the UDC's accounts and vice versa.

AND . . .

Any UDC customer information you have access
to can't be used as part of any work you're
doing for the unregulated affiliates.

EXERCISE #1

APS' Business Delivery Company is sponsoring a booth at a city's charity fund-raiser. Can APS Energy Services be invited to share the booth?



ANSWER

No. The ACC Competition Rules prohibit a UDC from participating in joint promotions with its competitive affiliate.

EXERCISE #2

A vendor mentions that he's interested in signing up with an ESP.
Can you let someone at APSES know about the vendor's interest?

ANSWER

- No.** The ACC Competition Rules prohibit the AU or UDC from sharing business leads with its competitive affiliate. The Rules also prevent you from soliciting the vendor's business on behalf of APSES.

HOWEVER,

If the vendor asks for information on APS' ESP,
you can give them a contact name and phone
number for APSES.

As long as the vendor or customer identifies his
interest in APS' ESP, you can provide them
with the name and number.

Customer information is collected for marketing purposes.

EXERCISE #3

APSES wants you to provide an additional service that isn't included in your SLA.
Can you?

ANSWER

Yes, for a price.

APSES would have to pay the **fully allocated** costs or the market value, whichever is higher for the service they want you to provide.

EXERCISE #4

Assume that APS Energy Services, SRP's ESP, New Energy Ventures (TEP) and Houston Industries have selected APS' Delivery Business to do their billing and collections for customers within Delivery's service territory. Since it takes about the same amount of time to process billing work for each ESP, can you Delivery Business employees just estimate the hours they charge to each ESP?

ANSWER

No. Each business has to maintain separate books and records so the Delivery Business employees must charge each ESP the exact number of hours worked.

EXERCISE # 5

Since APS Energy Services is an APS subsidiary,
can the Delivery Business charge APSES the
unallocated costs for processing its billings
and handling its collections?

ANSWER

No. According to the ACC Competition Rules and APS' Code of Conduct, non-tariffed goods & services provided by the UDC (Delivery Business) to an affiliate (APS Energy Services) shall be transferred at either the fully allocated cost or the market price,

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Therefore, even if the customer asks, DO NOT offer any comment or opinion on the amount of the customer's bill or his choice of ESP.

Instead explain that everyone's energy requirements and usage are different as are the products and services offered by each ESP. Encourage him to contact his local utility company or the local utility commission if he has questions or concerns.

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RESOURCES

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✓ ACC Competition Rules/Code of Conduct

ADDITIONAL RESOURCE

Colleen Hawk

Corporate Planning

81-3235

e-mail: chawk01

12

System Improvement

**Includes but is not limited to
functions such as:**

T&D Engineering & Support
T&D Procurement
T&D Safety
Transportation Services
Substation Construction
System Improvement Construction
System Improvement Pole Framing

HOW TO CONDUCT BUSINESS IN A DEREGULATED WORLD

**Colleen Hawk
Strategic Planning
ext. 81-3235**

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- ✓ WHY DO WE NEED TRAINING?
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WHAT AFFECTS US?

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ESP - Electric Services Provider

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UDC - Utility Distribution Company

SECTION R14-2-1617

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✓ Promotions (con't.):

- Any list of ESPs provided by a UDC to its customers has to include both affiliates and non-affiliates.
- UDCs can't give customers advice that includes promoting, marketing or selling its affiliates or other service providers.

WHAT DOES ALL THAT MEAN?

In a nutshell: With respect to customer-specific information and confidential information, UDC employees have to treat APSES on the same terms as any unaffiliated ESP, such as PG&E Energy Services, New Energy Ventures or SRP's ESP.

Just remember, if you won't give customer information to SRP, you can't give it to APSES.

REMINDER. . .

**THE STANDARD OFFER
IS YOUR PRODUCT.**

EXERCISE #1

You're meeting with an large industrial customer who's building a new facility in APS's service territory. He starts asking you about what ESPs are available and what do you know about their service, reliability, rates, etc.

If you have any or all of that information, can you share it with the customer?

ANSWER

No. According to the ACC Competition Rules, you can't give customers advice on any energy service providers - that includes promoting, marketing or selling their services and products.

HOWEVER,

You can still be responsive and provide good customer service. Explain that while you can't give him information on ESPs, you can give him a list of all the ESPs doing business in Arizona.

You can also assure him that you'll work with whichever ESP he selects.

AND . . .

Even though you can't provide him with information on the ESPs, you can (and should) provide him with information about the Standard Offer.

EXERCISE #2

A Standard Offer customer tells you she's thinking about signing up with an ESP. Can you promote the benefits of staying with the Standard Offer and try to sell her on not switching?

ANSWER

Absolutely! There's nothing in the ACC Competition Rules prohibiting a UDC from promoting its own service or product.

The Standard Offer is your product. You can and should promote it.

If the customer says "thanks but no thanks, I want to switch," you can offer to send her a copy of the ACC's list of ESP's doing business in Arizona.

EXERCISE #3

If the customer asks you how he can contact APSES (or APS' energy services company, or APS' retail company), what should you do?

ANSWER

Give him the APSES' phone number.

Because the customer (and not you) identified
that he wants to contact APSES, you can give
him a contact name and number.

EXERCISE #4

A rep from APSES calls and asks if you would expedite work for one of their customers.
Can you?

ANSWER

Maybe. Remember, you can't provide an APS affiliate preferential treatment over a non-affiliated ESP.

Your decision has to be based on valid, verifiable, work-related requirements or conditions, not who's asking. The fact it's an APS affiliate can't impact on your decision.

SO. . .

If under the same conditions and circumstances you would expedite the work for SRP or PG&E Energy Services or some other ESP, you can do it for APSES.

EXAMPLE #5

A customer tells you he thinks there's a problem with his electric bill.
What's the first thing you do?
Then what?

ANSWER

First, determine if the customer is on the Standard Offer.

If he is, you can handle his questions according to standard Delivery Business procedures.

If the customer is not on the Standard Offer, you'll have to determine whether his question pertains to ESP charges or delivery charges.

For ESP-related questions, explain that you don't have that information and that the customer will need to contact his energy service provider.

If you have the EPS' customer service phone number offer to give it to the customer or explain where the number is located on the bill.

REMINDER

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- ✓ providing preferential treatment to the AU's competitive affiliate.

The Affected Utility/UDC must maintain equal treatment toward all ESPPs.

THEREFORE . . .

Even if the customer asks, DO NOT offer any comment or opinion on the amount of the customer's bill or his choice of ESP.

Instead explain that everyone's energy requirements and usage are different as are the products and services offered by each ESP. Encourage the customer to contact his ESP if he has questions or concerns.

AND . . .

**You should remind the customer that the option
of returning to the Standard Offer is always
available.**

ONE LAST REMINDER . . .

Don't promote the Standard Offer by running down an ESP or its products and services.

Promote the Standard Offer on its own merits.

WHAT CAN HAPPEN IF WE DON'T FOLLOW THE RULES?

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